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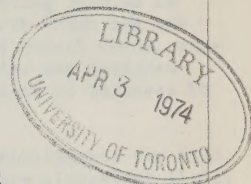
CENSUS OF MERCHANDISING AND SERVICE ESTABLISHMENTS

429

OPERATING RESULTS
OF
COUNTRY GENERAL STORES
IN CANADA

1938

Variety & general merchandise stores
(independent); operating results



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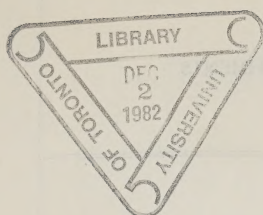
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DEPARTMENT OF TRADE AND COMMERCE
DOMINION BUREAU OF STATISTICS
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Price 15 cents.

CENSUS OF MERCHANDISING AND SERVICE ESTABLISHMENTS

Operating Results of Country General Stores in Canada, 1938

Introduction

This report is one of a series presenting average operating results in various branches of retail trade in Canada in 1938. The basic data from which the report was compiled were secured in connection with the annual survey of retail trade, conducted by the Internal Trade Branch of the Dominion Bureau of Statistics and designed primarily to provide information regarding annual trends in various kinds of business in the several provinces.

Results of the Census of Merchandising and Service Establishments for 1930, taken in connection with the last decennial census, show that there were altogether 11,915 country general stores in Canada that year. Country general stores consist of those retail stores located mainly in places of less than 1,000 population and selling a general line of merchandise. Approximately 3,000 country general stores report to the annual survey of retail trade. But many of these firms, while able to report general information such as total sales, payroll and inventories carried, are unable to furnish a breakdown of their operating expenses. Returns from 785 firms were utilized in the preparation of the operating expense analysis presented in this bulletin. The present report represents the first attempt of the Bureau of Statistics to provide an analysis of operating results for the retail trade. Such an undertaking is rendered difficult because of the lack of strict uniformity among business houses in classifying and recording expense data. For this reason the figures published here must be considered as indicators of general relationships rather than as material, the absolute accuracy of which can be guaranteed.

Summary of Results

Sales of country general stores in Canada in 1938 were slightly lower than in 1937. Slight gains in the Prairie Provinces were more than offset by losses in the East and British Columbia, resulting in a decline of 1.3 per cent for the country as a whole. Aggregate sales for Canada in 1938 were estimated at \$195,866,000 compared with \$198,480,000 in the previous year. Percentage changes in sales over the two-year period for the various economic divisions were as follows: Maritime Provinces, -2.9; Quebec, -1.4; Ontario, -3.1; Prairie Provinces, +0.6, and British Columbia, -1.1.

Analysis of operating results for the 785 country general stores furnishing detailed figures and included in this survey reveals an average net operating profit of 1.5 per cent of sales after making provision for an imputed value of proprietors' services but before making provision for any interest payment on own capital investments. Gross margin or profit averaged 16.1 per cent of sales while operating expenses totalled 14.6 per cent of sales. The stock-turn ratio derived from annual sales reduced to a cost basis and the average of the year-end inventories indicated that stocks were turned over 3.3 times during the year.

Of the 785 country general stores included in the survey, 492 or 63 per cent of the total number secured a profit on the year's operations while 293 or 37 per cent operated at a loss. The profitable firms had a higher gross margin, slightly higher rate of stock turn and lower operating expenses both in total and for almost all of the individual expense items reported, than had the unprofitable firms. The 492 profitable firms operated on a gross margin of 16.9 per cent of sales, had operating expenses of 13.8 per cent of sales resulting in a net profit of 3.1 per cent, and turned their stocks on an average of 3.4 times per year. The 293 unprofitable firms operated on an average gross margin of 14.3 per cent of sales, had operating expenses of 16.4 per cent resulting in a net loss of 2.1 per cent of sales. The unprofitable firms turned over their stocks

on an average of three times per year.

The proportions of profitable and unprofitable firms varied considerably for various sizes of business and for different regions of the country. The survey includes no stores with annual sales of less than \$10,000. Fifty-five per cent of the stores with annual sales of between \$10,000 and \$20,000 operated at a profit; 58 per cent of the stores having annual sales of between \$20,000 and \$30,000 secured a profit on the year's operations; 62 per cent of the stores in the \$30,000 to \$50,000 group were profitable while amongst stores having annual sales of over \$50,000 the ratio of profitable to total number was 78 per cent.

When the sample is classified geographically it is seen that the proportion of profitable to total stores ranged from 51 per cent in Quebec to 74 per cent in Alberta. The proportion of profitable to total stores reporting was 67 per cent for the Prairie Provinces as a whole, 66 per cent for British Columbia, 64 per cent for Ontario, 63 per cent for Saskatchewan, 61 per cent for Manitoba and 55 per cent for the Maritime Provinces. Annual sales per store averaged approximately \$31,000 for Manitoba and Saskatchewan and ranged within narrow limits of \$40,000 for each of the other provinces.

General Operating Expense Analysis

In addition to reporting total figures each firm was asked to give a breakdown of its total expenses into thirteen different items. Payroll and occupancy costs are the two large items contributing to the total expense which averaged 14.6 per cent of annual sales for the 785 stores reporting to the survey. Payroll accounted for 60 per cent of this figure forming 8.6 per cent of annual sales. Included in the payroll data are salaries and wages of employees and an estimated value for services of those proprietors who devoted the major proportion of their time to the operation of the business. The amounts attributed to those proprietors were determined in the following way: the expense schedules asked that the number and salaries of proprietors receiving a stated salary be reported. It also asked for the number of proprietors who did not receive a stated salary but whose remuneration consisted only of profits secured from the year's operations. The returns of those firms reporting proprietors' salaries were used in arriving at an average salary per proprietor for stores in different sizes of business. These averages were then assigned to all proprietors in each size class irrespective of whether or not stated salaries were reported. This practice leads to the classification as unprofitable of some returns whose actual figures may have shown a profit due to a very small amount being reported for proprietors' services. On the other hand, it transferred to the profitable classification some returns on which the appearance of an unduly large item for proprietors' salaries would have assigned to the unprofitable group had the figures been used as reported.

Average values of proprietors' services for various size classes as used in the survey are as follows:

<u>Amount of Annual Sales</u>	<u>Average Salary per Proprietor</u>
\$	\$
10,000 - 19,999	900
20,000 - 29,999	1,200
30,000 - 39,999	1,300
40,000 - 49,999	1,300
50,000 - 59,999	1,500
60,000 - 69,999	1,600
70,000 - 79,999	1,600
80,000 - 89,999	1,700
90,000 - 99,999	1,700
100,000 - and over	2,000

On allocating these amounts to proprietors for the various size classes, proprietors' services are estimated as 2.8 per cent of sales. Employees' salaries and wages formed 5.8 per cent of sales, making a total of 8.6 per cent. It should be noted that proprietors' services were estimated in the case of unincorporated companies only. Proprietors of incorporated firms were considered as employees and their remuneration was included with salaries and wages paid to employees. Deviation from the usual practice was made in the case of partnerships reporting more than one partner actively engaged in the business. In such instances the average salary shown above for the corresponding size of business was allocated to one proprietor only. One-half the average salary for the same size class was allocated to each additional proprietor.

In stores having an annual turnover of between \$10,000 and \$20,000, proprietors' salaries formed 5.9 per cent of sales while employees' salaries and wages formed another 3.3 per cent. Corresponding ratios for stores with annual sales from \$20,000 to \$30,000 were 4.4 per cent for proprietors' salaries and the same amount for employees. For stores with annual sales of \$30,000 to \$50,000 the payroll ratios were 3.0 per cent for proprietors and 5.5 per cent for employees while for the largest size group (stores having annual sales of \$50,000 or more) the ratios were 1.0 per cent for proprietors' salaries and 7.0 per cent for salaries and wages of employees. The declining relative importance of proprietors' salaries in the total payroll cost as size of business increases is a natural consequence of the fact that in the smaller stores the proprietor performs a great many of the tasks normally carried out by employees in the larger firms. It should also be remembered that some of the larger stores are operated under the corporate form of ownership, under which conditions the salaries of working proprietors are automatically included with wages of employees.

The necessity of allocating an imputed value for services performed by proprietors introduces an unavoidable element of arbitrariness in the operating results for retail stores. The attached tables give separate ratios for proprietors' and employees' salaries. Any owner who does not draw a stated salary and who wishes to compare his results with the averages for his size of business can deduct the proprietors' payroll percentage shown from the total operating expenses and add the same percentage to net profit.

Advertising costs formed 0.3 per cent of country general store sales while "supplies" including wrapping paper, bags, twine, etc., amounted to another 0.8 per cent of sales. Communication costs, including telephone, telegraph and postage amounted to 0.3 per cent while bad debts amounted to 0.7 per cent of sales.

Rental costs averaged 1.6 per cent of sales for stores in rented premises. The survey questionnaire contained six other items closely allied with occupancy costs and figures for which are significant only when considered separately for owned and rented stores. Taxes (including property and business taxes) formed 0.6 per cent of sales for owned stores and 0.4 per cent for stores in rented premises. Insurance costs averaged 0.6 and 0.5 per cent of sales for the two types. Light, heat and power costs were the same at 0.6 per cent for both owned and rented stores. Repair costs amounted to 0.4 per cent in owned stores and 0.3 per cent in rented stores. Depreciation averaged 0.8 and 0.5 per cent of sales for the two types. Interest on borrowed money, including mortgage interest but exclusive of any allowance for interest on own capital investment amounted to 0.3 per cent of sales in both owned and rented stores. Sundry expenses which could not be allocated to any of the above classifications formed 0.3 per cent of owned-store sales and 0.4 per cent of sales for stores in rented premises.

Operating Results for Stores Classified According to Size

In addition to presenting a breakdown of operating expenses for all country general stores reporting expense data, the attached tables present similar statistics for stores classified into size of business groups.

In comparison with the average ratio of 16.1 per cent of sales for the entire group of 785 stores, gross margin formed 17.4 per cent of sales for stores having annual sales of between \$10,000 and \$20,000, 16.0 per cent for stores with annual sales of \$20,000 to \$30,000, 15.6 per cent for stores with sales between \$30,000 and \$50,000, and 16.1 per cent in the group having annual sales of more than \$50,000.

Total operating expense ratios show a regular tendency to decline as the amount of annual sales increase. On the other hand, the rate of stock-turn is slightly greater for stores in the larger sized groups than for the smaller stores. Total operating expense ratios and stock-turn for the various sized classes are as follows: Stores with annual sales between \$10,000 and \$20,000, 16.4 per cent for total operating expenses with stocks turned 2.6 times; stores with sales between \$20,000 and \$30,000, 15.1 per cent and stocks turned 3 times; stores with annual sales of between \$30,000 and \$50,000, 14.3 per cent for total operating expenses and stocks turned 3.2 times; and in the largest size group, stores having annual sales of over \$50,000, the total operating expense ratio amounted to 14.2 per cent of sales while stocks were bought and sold on an average of 3.7 times per year.

Net profit for the year formed 1 per cent of sales in the smallest size stores, 0.9 and 1.3 per cent in the two middle sizes and 1.9 per cent in the largest size group of stores.

Regional Figures

Average results for all stores reporting indicate that net profits were secured in all economic divisions of the country, but were higher in the West than in the East. In comparison with an average net profit of 1.5 per cent of sales for the country as a whole, results for the various geographical regions show net profits of 0.8 per cent for the Maritimes, 1.3 per cent for Quebec and Ontario, 1.6 per cent for the Prairie Provinces and 1.8 per cent for British Columbia. Comparisons of gross margins and total operating expense ratios on a regional basis reveal that these items also increased from East to West. Gross margin and total expenses expressed as percentage of sales are as follows: The Maritimes, 13.8 per cent and 13.0 per cent; Quebec, 15.5 and 14.2 per cent; Ontario, 16.2 and 14.9 per cent; The Prairies, 16.4 and 14.8 per cent; and British Columbia, 17.2 and 15.4 per cent.

Comparison of individual expense items on a regional basis indicate that advertising expenditures were lower in the extreme East and Quebec than in Central Canada and British Columbia. Advertising expense formed only 0.1 per cent of sales in the Maritimes and Quebec, 0.3 per cent in Ontario and British Columbia, and 0.4 per cent in the Prairie Provinces. Communication costs varied little across the country, amounting to 0.2 per cent of sales in the Maritimes, Quebec and Ontario, and 0.3 per cent in the Prairies and British Columbia. Occupancy costs including rents, taxes, insurance, light, heat and power, repairs and depreciation ranged from 2.8 per cent in the Maritimes to 3.6 per cent in the Prairies. Bad debt losses were lowest in Ontario at 0.4 per cent of sales and highest in British Columbia, the Prairie Provinces and the Maritimes at 0.7 per cent. Bad debts formed 0.6 per cent of sales in Quebec. Payroll costs were 9.3 per cent of sales in Ontario, 9.2 per cent in British Columbia, 8.7 per cent in Quebec, 8.5 per cent in the Prairies, and 7.6 per cent in the Maritime Provinces.

Explanation of Terms

Gross Margin--Gross margin represents the difference between net sales and the cost of goods sold which amount is obtained by adjusting purchases of goods during the year for differences between year-end inventories. That is to say, cost of goods sold equals the value of inventory at the beginning of the year, increased by the value of goods purchased and decreased by the inventory at the end of the year. Value of purchases includes the invoice value of goods bought less any returns, allowances or discounts received from manufacturers or wholesalers. The cost of goods also includes duty and inward freight, express or truckage. Outward delivery costs and other store expenses are not included.

Payroll--Payroll includes salaries, wages and commissions paid to all full-time or part-time employees including amounts paid to members of proprietors' families who serve in the capacity of employees. It also includes an imputed value for the services of proprietors who devote the major portion of their time to the business in question.

Advertising--Included in this item are all amounts paid for various types of advertising, newspaper, handbill, radio, etc.

Supplies--The amount reported under this heading includes expenditures for all supplies used in connection with the business such as wrapping paper, bags, twine, office supplies and in addition supplies such as gas and oil for the firm's own delivery equipment.

Communication--Telephone, telegraph and postage were to be reported under this heading.

Taxes--All licenses and taxes including both property and business taxes but exclusive of Dominion income taxes were to be reported here.

Insurance--Amount of premiums paid for insurance of all types carried in connection with the business was to be reported; fire, theft, plate glass, insurance on delivery equipment, etc.

Rent--Only rentals paid for premises actually used in connection with the business were to be reported.

Heat, Light and Power--Water rates, if paid separately from taxes, were to be included here in addition to all amounts paid for fuel, light and power.

Bad Debt Losses--Each firm was asked to report the amount actually written off as bad debts during the year less bad debts written off in previous years and recovered in the year in question. In some instances amounts transferred to bad debt reserves may have been reported rather than the amount actually written off.

Repairs and Maintenance--This item includes amounts paid for repairs and maintenance to buildings, furniture, fixtures and store or delivery equipment. Labour costs coming through the store's own payroll were to be included in the payroll item and not in this category.

Interest--Only interest paid on borrowed money, bank, mortgage, etc., was to be reported. No allowance was made for interest on own capital investment.

Depreciation--Each firm was asked to report what it considered to be a fair charge for annual depreciation on owned buildings, furniture and store or delivery equipment. From two to five per cent is generally allowed on the cost or purchase price of buildings depending upon the type of construction. Five per cent of cost is frequently allowed on store furniture and fixtures and twenty per cent on the cost of delivery equipment.

Sundry Expenses--This includes all expenses not otherwise allocated. No separate provision was made for amounts paid outside agencies for delivery to purchasers. Such amounts would normally be assigned to the sundry expense item.

Stock-turn Rate--Rate of stock-turn was obtained by dividing the average of the year-end stock figures into the cost of goods sold. By this means the numerator and denominator in the ratio were brought to the same value basis. But no information is available to indicate the extent to which the average of the year-end figures may be representative of the average stock carried throughout the twelve-month period. Thus while the ratios shown in the tables may be used as a basis for comparisons with individual results, their accuracy as a measure of the number of times that stock was turned over during the year cannot be guaranteed.

Table 1.---Country General Stores - Operating Results for Stores Classified According to Annual Sales Volume and Occupancy Basis, Canada, 1938

Item	AMOUNT OF ANNUAL SALES					
	All Stores, Total			\$10,000 - \$19,999		
	Total	Owned	Rented	Total	Owned	Rented
GENERAL INFORMATION						
Number of Stores Reporting	785	559	226	183	126	57
Total Sales	\$29,605,409	21,043,308	8,562,101	2,789,104	1,916,267	872,837
Average Sales per Store	\$ 37,714	37,645	37,885	15,241	15,208	15,313
PROFIT AND LOSS--(In percentages of sales)						
Gross Margin or Profit	16.1	15.7	16.9	17.4	17.0	18.2
Expenses						
Proprietors' salaries	2.8	2.8	2.8	5.9	5.9	5.9
Employees' salaries and wages ..	5.8	5.6	6.1	3.3	3.2	3.5
Advertising	0.3	0.3	0.4	0.3	0.2	0.4
Supplies	0.8	0.8	0.8	0.8	0.9	0.8
Communication	0.3	0.3	0.3	0.3	0.3	0.3
Rent	0.4	-	1.6	0.7	-	2.2
Taxes	0.6	0.6	0.4	0.7	0.9	0.5
Insurance	0.6	0.6	0.5	0.7	0.8	0.6
Light, heat and power	0.6	0.6	0.6	1.0	1.0	0.9
Repairs	0.4	0.4	0.3	0.5	0.6	0.3
Depreciation	0.7	0.8	0.5	1.0	1.1	0.7
Bad debts	0.3	0.7	0.6	0.6	0.7	0.3
Interest on borrowed money	0.3	0.3	0.3	0.3	0.3	0.3
Sundry expense	0.3	0.3	0.4	0.3	0.3	0.2
Total Expense	14.6	14.1	15.6	16.4	16.2	16.9
Net Profit or Loss	+1.5	+1.6	+1.3	+1.0	+0.8	+1.3
OTHER INFORMATION						
Stock Turnover (times per year) ...	3.3	3.3	3.2	2.6	2.4	2.9

Table 1.--Country General Stores - Operating Results for Stores Classified According to Annual Sales Volume and Occupancy Basis, Canada, 1938 (Cont.)

Item	AMOUNT OF ANNUAL SALES							
	\$20,000 - \$29,999		\$30,000 - \$49,999					
	Total	Owned	Rented	Total	Owned	Rented	Total	Rented
GENERAL INFORMATION								
Number of Stores Reporting	215	159	56	227	169	58		
Total Sales	\$5,363,311	4,003,599	1,359,712	8,582,605	6,459,183	2,123,422		
Average Sales per Store	\$24,946	25,180	24,281	37,809	38,220	36,611		
PROFIT AND LOSS--(In percentages of sales)								
Gross Margin or Profit	16.0	16.0	16.1	15.6	15.6	15.7		
EXPENSES								
Proprietors' salaries	4.4	4.3	4.5	3.0	3.1	2.7		
Employees' salaries and wages	4.4	4.5	4.4	5.5	5.4	6.0		
Advertising	0.3	0.3	0.4	0.3	0.3	0.4		
Supplies	0.8	0.8	0.8	0.8	0.8	0.8		
Communication	0.3	0.3	0.3	0.3	0.3	0.3		
Rent	0.4	-	1.6	0.4	-	1.5		
Taxes	0.7	0.7	0.4	0.6	0.6	0.4		
Insurance	0.7	0.8	0.5	0.6	0.6	0.5		
Light, heat and power	0.7	0.7	0.7	0.6	0.6	0.6		
Repairs	0.4	0.4	0.2	0.4	0.4	0.2		
Depreciation	0.8	0.9	0.5	0.7	0.8	0.5		
Bad debts	0.6	0.7	0.4	0.6	0.6	0.7		
Interest on borrowed money	0.3	0.3	0.3	0.2	0.2	0.3		
Sundry expense	0.3	0.3	0.3	0.3	0.3	0.3		
Total Expense	15.1	15.0	15.3	14.3	14.0	15.2		
OTHER INFORMATION								
Net Profit or Loss	+0.9	+1.0	+0.8	+1.3	+1.6	+0.5		
Stock Turnover (times per year)	3.0	3.0	3.0	3.2	3.2	3.2		

Table 1.--Country General Stores - Operating Results for Stores Classified According to Annual Sales Volume and Occupancy Basis, Canada, 1938 (Cont.)

Item	AMOUNT OF ANNUAL SALES		
	Total	Owned	Rented
GENERAL INFORMATION			
Number of Stores Reporting	160	105	55
Total Sales	\$12,870,369	\$8,664,259	\$4,206,130
Average Sales per Store	\$ 80,440	\$ 82,517	\$ 76,475
PROFIT AND LOSS--(In percentages of sales)			
Gross Margin or Profit	16.1	15.5	17.5
EXPENSES			
Proprietors' salaries	1.4	1.3	1.7
Employees' salaries and wages	7.0	6.8	7.3
Advertising	0.4	0.3	0.5
Supplies	0.8	0.9	0.8
Communication	0.2	0.2	0.2
Rent	0.5	-	1.5
Taxes	0.5	0.5	0.3
Insurance	0.5	0.5	0.5
Light, heat and power	0.5	0.5	0.5
Repairs	0.4	0.4	0.3
Depreciation	0.6	0.8	0.4
Bad debts	0.7	0.7	0.7
Interest on borrowed money	0.3	0.3	0.3
Sundry expense	0.4	0.4	0.5
Total Expense	14.2	13.6	15.5
Net Profit or Loss	+1.9	+1.9	+2.0
OTHER INFORMATION			
Stock Turnover (times per year)	3.7	3.9	3.4

Item	AMOUNT OF ANNUAL SALES				
	All Stores, Total	Unprofitable	Total	Profitable	Unprofitable
Total					
	785	492	183	101	82
Number of Stores Reporting					
Total Sales	\$29,605,409	20,111,025	2,789,104	1,546,586	1,242,518
Average Sales per Store	\$37,714	40,876	15,241	15,313	15,153
GENERAL INFORMATION					
PROFIT AND LOSS--(in percentages of sales)					
Gross Margin or Profit	16.1	16.9	14.3	19.5	14.8
Expenses					
Proprietors' salaries	2.8	2.7	3.1	5.9	5.9
Employees' salaries and wages	5.8	5.3	6.7	3.3	3.9
Advertising	0.3	0.3	0.3	0.3	0.3
Supplies	0.8	0.8	0.9	0.8	0.8
Communication	0.3	0.3	0.3	0.3	0.4
Rent	0.4	0.4	0.5	0.7	0.7
Taxes	0.6	0.5	0.6	0.7	0.8
Insurance	0.6	0.6	0.6	0.7	0.8
Light, heat and power	0.6	0.5	0.7	1.0	1.1
Repairs	0.4	0.4	0.4	0.4	0.5
Depreciation	0.7	0.7	0.8	1.0	1.0
Total occupancy costs(1)	3.3	3.1	3.6	4.4	4.9
Bad debts	0.7	0.7	0.7	0.4	0.8
Interest on borrowed money	0.3	0.3	0.4	0.3	0.3
Gundry expense	0.3	0.3	0.4	0.2	0.4
Total Expense	14.6	13.8	16.4	15.4	17.7
Net Profit or Loss	+1.5	+3.1	-2.1	+4.1	-2.9
OTHER INFORMATION					
Stock Turnover (times per year)	3.3	3.4	3.0	2.6	2.6
Sum of six preceding items including some expenses not strictly applicable to occupancy costs: e.g.: business taxes.					

Table 2.--Country General Stores -- Operating Results for Stores Classified According to Annual Sales Volume and Profit or Loss, Canada, 1935 (Cont.)

1 10 1

Item	AMOUNT OF ANNUAL SALES					Profitable		Unprofitable	
	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable
	20,063 - 329,959	90	227	141	38,000 - 149,959				
Number of Stores Reporting	215	125	90	227	141				86
Total Sales	45,363,311	3,143,730	2,219,561	8,582,605	5,294,838				3,287,767
Average Sales per Store	\$ 211,916	25,150	24,662	37,809	37,552				38,230
GENERAL INFORMATION									
PROFIT AND LOSS--(In percentages of sales)									
Gross Margin on Profit	16.0	17.6	13.7	15.6	16.5				14.2
Expenses									
Proprietors' salaries	4.4	4.3	4.4	3.0	3.1				2.8
Employees' salaries and wages	4.4	3.9	5.2	5.5	4.8				6.7
Advertising	0.3	0.3	0.3	0.3	0.3				0.3
Supplies	0.8	0.8	0.8	0.8	0.7				0.9
Communication	0.3	0.3	0.3	0.3	0.3				0.3
Rent	0.4	0.3	0.5	0.4	0.3				0.5
Taxes	0.7	0.6	0.7	0.6	0.5				0.6
Insurance	0.7	0.7	0.7	0.6	0.6				0.6
Light, heat and power	0.7	0.7	0.8	0.6	0.6				0.6
Repairs	0.4	0.3	0.3	0.4	0.4				0.4
Depreciation	0.8	0.8	0.9	0.7	0.7				0.8
Total occupancy costs(1)	3.7	3.4	3.9	3.3	3.1				3.5
Bad debts	0.6	0.7	0.6	0.6	0.7				0.6
Interest on borrowed money ..	0.3	0.3	0.4	0.2	0.2				0.3
Sundry expense	0.3	0.3	0.3	0.3	0.2				0.4
Total Expense	15.1	14.3	16.2	14.3	13.4				15.8
Net Profit or Loss	+0.9	+3.3	-2.5	+1.3	+3.1				-1.6
OTHER INFORMATION									
Stock Turnover (times per year)	3.0	3.1	2.8	3.2	3.4				3.0

(1) Sum of six preceding items including some expenses not strictly applicable to occupancy costs: e.g.: business taxes.

Table 2.--Country General Stores - Operating Results for Stores Classified According to Annual Sales Volume and Profit or Loss, Canada, 1938 (Cont.)

Item	AMOUNT OF ANNUAL SALES		
	Total	Profitable	Unprofitable
GENERAL INFORMATION			
Number of Stores Reporting	160	125	35
Total Sales	\$12,870,389	10,125,871	2,744,518
Average Sales per Store	\$80,449	81,007	78,415
PROFIT AND LOSS--(in percentages of sales)			
Gross Margin or Profit	16.1	16.5	14.7
Expenses			
Proprietors' salaries	1.4	1.5	1.1
Employees' salaries and wages	7.0	6.4	9.2
Advertising	0.4	0.4	0.3
Supplies	0.8	0.9	0.9
Communication	0.2	0.2	0.2
Rent	0.5	0.5	0.3
Taxes	0.5	0.5	0.6
Insurance	0.5	0.5	0.5
Light, heat and power	0.5	0.4	0.6
Repairs	0.4	0.3	0.5
Depreciation	0.6	0.6	0.7
Total occupancy costs(1)	3.0	2.8	3.2
Bad debts	0.7	0.7	0.8
Interest on borrowed money	0.3	0.3	0.5
Sundry expense	0.4	0.4	0.4
Total Expense	14.2	13.6	16.6
Net Profit or Loss	+1.9	+2.9	-1.9
OTHER INFORMATION			
Stock Turnover (times per year)	3.7	3.8	3.4

(1) Sum of six preceding items including some expenses not strictly applicable to occupancy costs: e.g.: business taxes.

Table 3.--Operating Results of Country General Stores, Classified by Provinces and Net Profit or Loss, 1938

Item	CANADA				MARITIME PROVINCES			
	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total	
GENERAL INFORMATION								
Number of Stores Reporting	785	492	293	97	53	44		
Total Sales	\$29,605,409	20,111,025	9,494,384	3,827,326	2,282,313	1,545,013		
Average Sales per Store	\$ 37,714	40,876	32,404	39,457	43,063	35,114		
PROFIT AND LOSS--(In percentages of sales)								
Gross Margin or Profit	16.1	16.9	14.3	13.8	14.9	12.2		
Expenses								
Proprietors' salaries	2.8	2.7	3.1	2.5	2.1	3.0		
Employees' salaries and wages	5.8	5.3	6.7	5.1	4.7	5.7		
Advertising	0.3	0.3	0.3	0.1	0.1	0.1		
Supplies	0.8	0.8	0.9	0.8	0.8	0.9		
Communication	0.3	0.3	0.3	0.2	0.2	0.2		
Rent	0.4	0.4	0.5	0.2	0.1	0.3		
Taxes	0.6	0.5	0.6	0.6	0.6	0.5		
Insurance	0.6	0.6	0.6	0.5	0.5	0.5		
Light, heat and power	0.6	0.5	0.7	0.4	0.4	0.4		
Repairs	0.4	0.4	0.4	0.4	0.3	0.5		
Depreciation	0.7	0.7	0.8	0.7	0.7	0.9		
Total Occupancy costs(1)	3.3	3.1	3.6	2.8	2.6	3.1		
Bad debts	0.7	0.7	0.7	0.7	0.8	0.7		
Interest on borrowed money ..	0.3	0.3	0.4	0.5	0.4	0.6		
Sundry expense	0.3	0.3	0.4	0.3	0.3	0.2		
Total Expense	14.6	13.8	16.4	13.0	12.0	14.5		
Net Profit or Loss	+1.5	+3.1	-2.1	+0.8	+2.9	-2.3		
OTHER INFORMATION								
Stock Turnover (times per year)	3.3	3.4	3.0	3.8	4.1	3.5		

1) Sum of six preceding items including some expenses not strictly applicable to occupancy costs; e.g.: business taxes.

(1) Sum of six preceding items including some expenses not strictly applicable to occupancy costs; e.g.: business taxes.

Table 3.--Operating Results of Country General Stores, Classified by Provinces and Net Profit or Loss 1928 (Cont.)

Item	QUEBEC			ONTARIO		
	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable
GENERAL INFORMATION						
Number of Stores Reporting	64	33	31	124	74	50
Total Sales	\$2,595,488	1,550,888	1,044,600	4,959,617	3,223,992	1,735,625
Average Sales per Store	\$ 40,555	46,997	33,697	39,997	43,567	34,715
PROFIT AND LOSS--(In percentages of sales)						
Gross Margin or Profit	15.5	16.6	13.7	16.2	17.1	14.6
Expenses						
Proprietors' salaries	2.8	2.7	2.8	3.0	2.8	3.3
Employees' salaries and wages	5.9	4.8	7.5	6.3	5.6	7.4
Advertising	0.1	0.1	0.2	0.3	0.4	0.3
Supplies	0.8	0.8	0.8	1.0	0.9	1.1
Communication	0.2	0.2	0.2	0.2	0.2	0.2
Rent	0.2	0.1	0.4	0.4	0.4	0.4
Taxes	0.5	0.4	0.6	0.5	0.4	0.6
Insurance	0.6	0.6	0.7	0.5	0.5	0.6
Light, heat and power	0.6	0.5	0.6	0.5	0.5	0.6
Repairs	0.5	0.5	0.6	0.4	0.4	0.5
Depreciation	0.9	0.9	0.9	0.7	0.7	0.8
Total occupancy costs(1)	3.3	3.0	3.8	3.0	2.9	3.5
Bad debts	0.6	0.5	0.6	0.4	0.5	0.4
Interest on borrowed money	0.3	0.4	0.3	0.3	0.3	0.3
Sundry expense	0.2	0.1	0.3	0.4	0.4	0.2
Total Expense	14.2	12.6	16.5	14.9	14.0	16.7
Net Profit or Loss	+1.3	+4.0	-2.8	+1.3	+3.1	-2.1
OTHER INFORMATION						
Stock Turnover (times per year)	2.6	2.9	2.3	3.1	3.3	2.7

(1) Sum of six preceding items including some expenses not strictly applicable to occupancy costs; e.g.: business taxes.

Table 3.--Operating Results of Country General Stores, Classified by Provinces and Net Profit or Loss, 1938 (Cont.)

Item	MANITOBA			SASKATCHEWAN		
	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable

GENERAL INFORMATION						
Number of Stores Reporting	89	54	35	169	106	63
Total Sales	\$2,807,814	1,810,011	997,803	5,153,006	3,440,907	1,712,099
Average Sales per Store	\$ 31,548	33,519	28,509	30,491	32,461	27,176

PROFIT AND LOSS--(In percentages of Sales)						
Gross Margin or Profit	15.2	16.1	13.6	16.1	16.6	15.2

EXPENSES						
Proprietors' salaries	3.6	3.5	3.6	3.3	3.5	3.1
Employees' salaries and wages	4.5	4.3	5.0	5.2	4.5	6.5
Advertising	0.4	0.4	0.4	0.4	0.4	0.5
Supplies	0.7	0.7	0.8	0.7	0.6	0.7
Communication	0.3	0.3	0.3	0.3	0.3	0.3
Rent	0.6	0.4	1.0	0.5	0.5	0.6
Taxes	0.6	0.6	0.6	0.7	0.7	0.9
Insurance	0.6	0.5	0.8	0.7	0.6	0.7
Light, heat and power	0.7	0.7	0.8	0.7	0.6	0.9
Repairs	0.4	0.4	0.3	0.3	0.3	0.3
Depreciation	0.7	0.6	0.8	0.7	0.7	0.7
Total occupancy costs(1)	3.6	3.2	4.3	3.6	3.4	4.1
Bad debts	0.5	0.5	0.4	0.7	0.6	0.9
Interest on borrowed money ..	0.3	0.2	0.4	0.3	0.3	0.3
Sundry expense	0.3	0.3	0.4	0.3	0.3	0.4
Total Expense	14.2	13.4	15.6	14.8	13.9	16.8

Net Profit or Loss	+1.0	+2.7	-2.0	+1.3	+2.7	-1.6
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OTHER INFORMATION						
Stock Turnover (times per year)	3.2	3.5	2.8	3.0	3.1	2.8

(1) Sum of six preceding items including some expenses not strictly applicable to occupancy costs; e.g.: business taxes.

Table 3.--Operating Results of Country General St res. Classified by Provinces and Net Profit or Loss, 1938 (Cont.)

Item	ALBERTA		BRITISH COLUMBIA			
	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable
Number of Stores Reporting	149	111	38	93	61	32
Total Sales	6,466,734	5,061,289	1,405,445	3,795,424	2,741,625	1,053,799
Average Sales per Store	43,401	45,597	36,985	40,811	44,945	32,931
GENERAL INFORMATION						
Gross Margin or Profit	17.2	17.6	15.7	17.2	18.0	15.2
PROFIT AND LOSS--(In percentages of sales)						
Expenses						
Proprietors' salaries	2.5	2.5	2.7	2.4	2.1	3.0
Employees' salaries and wages	6.1	5.7	7.5	6.8	6.7	7.2
Advertising	0.4	0.5	0.4	0.3	0.3	0.3
Supplies	0.7	0.8	0.6	1.1	1.0	1.2
Communication	0.3	0.3	0.4	0.3	0.2	0.4
Rent	0.6	0.7	0.5	0.4	0.4	0.4
Taxes	0.6	0.5	0.7	0.4	0.4	0.5
Insurance	0.7	0.6	0.7	0.5	0.5	0.6
Light, heat and power	0.6	0.5	0.7	0.7	0.6	0.9
Repairs	0.4	0.4	0.4	0.3	0.3	0.4
Depreciation	0.7	0.6	0.8	0.8	0.9	0.8
Total occupancy costs(1)	3.6	3.3	3.8	3.1	3.1	3.6
Bad debts	0.9	0.7	1.2	0.7	0.8	0.5
Interest on borrowed money ..	0.2	0.2	0.3	0.2	0.2	0.2
Sundry Expense	0.4	0.4	0.5	0.5	0.4	0.9
Total Expense	15.1	14.4	17.4	15.4	14.8	17.3
Net Profit or Loss	+2.1	+3.2	-1.7	+1.8	+3.2	-2.1
OTHER INFORMATION						
Stock Turnover (times per year)	3.3	3.3	3.3	4.2	4.2	4.4

(1) Sum of six preceding items including some expenses not strictly applicable to occupancy costs; e.g.: business taxes.

Table 3.--Operating Results of Country General Stores, Classified by Provinces and Net Profit or Loss, 1936 (Cont.)

Item	PAIRIE PROVINCES		
	Total	Profitable	Unprofitable
GENERAL INFORMATION			
Number of Stores Reporting	407	271	136
Total Sales	\$14,427,554	10,312,207	4,115,347
Average Sales per Store	35,449	38,052	30,260
PROFIT AND LOSS--(In percentages of sales)			
Gross Margin or Profit	16.4	17.0	15.0
Expenses			
Proprietors' salaries	3.0	3.0	3.1
Employees' salaries and wages	5.5	5.1	6.5
Advertising	0.4	0.4	0.4
Supplies	0.7	0.7	0.7
Communication	0.3	0.3	0.3
Rent	0.6	0.6	0.7
Taxes	0.6	0.6	0.8
Insurance	0.7	0.6	0.7
Light, heat and power	0.7	0.6	0.8
Repairs	0.3	0.4	0.3
Depreciation	0.7	0.6	0.8
Total occupancy costs(1)	3.6	3.4	4.1
Bad debts	0.7	0.7	0.9
Interest on borrowed money	0.3	0.2	0.3
Sundry expense	0.3	0.3	0.4
Total Expense	14.8	14.1	16.7
Net Profit or Loss	+1.6	+2.9	-1.7
OTHER INFORMATION			
Stock Turnover (times per year)	3.2	3.3	2.9

(1) Sum of six preceding items including some expenses not strictly applicable to occupancy costs; e.g.: business taxes.

Not published : 1939-43

Published by Authority of the Hon. James A. MacKINNON, M.P.,
Minister of Trade and Commerce

CANADA
DOMINION BUREAU OF STATISTICS
MERCHANDISING AND SERVICES BRANCH

DEPT. OF POLITICAL SCIENCE
UNIVERSITY OF TORONTO

OPERATING RESULTS OF UNINCORPORATED RETAIL STORES

1944

Bulletin No. 4

COUNTRY GENERAL STORES
GENERAL MERCHANDISE AND DRY GOODS STORES

Including
Purpose, Importance, Explanation of Use, Summary of Results,
and
Statistical Tables



OTTAWA
1946

FOREWORD

For some time the Bureau has recognized the practical value of published information on average operating results, that is, on average rates of expenses and profits, etc., in the principal retail trades. Indeed the first studies of this nature were made for the year 1938, and since then an increasing demand for such information has been experienced by this Bureau. It is in response to this demand that the present series of reports is now being issued.

Concerned mainly with average expense and profit percentages, comprehensive information on the operating results of retail stores deals with many of the significant factors which eventually determine their success or failure. Such information therefore represents the results which many retailers have obtained in meeting the problems that are common to their particular kind of business. Statistics of this nature, moreover, have the practical value of enabling individual merchants to compare their own rates of expenses and profits with the results of similar stores in their trade, from which they can isolate for further analysis the areas in which their performance has been below average. The resulting opportunities for improving the efficiency in retail store managements may well be of some importance in peacetime as Canadian retailers under more competitive conditions endeavour to distribute the products of an expanded industrial economy. These considerations and possibilities have been set forth under the heading "Importance of Information on Operating Results in Retail Trade" commencing on page 2 of these reports. A separate discussion beginning on page 8 under the topic "How the Retailer Can Use Information on Operating Results" has also been included as a possible guide to retailers using the bulletins.

It must be emphasized here, however, that the statistics presented in these reports are subject to important limitations in respect to their coverage and representativeness. This is because the figures are based, not upon a comprehensive survey of large numbers of co-operating stores, but rather upon comparatively small sample numbers of such firms. These samples, of course, should be large enough to permit the different influences affecting operating results to average themselves out and thus present the more typical operating experiences of stores in the different size and occupancy classifications of stores. For many kinds of stores, unfortunately, the number of usable returns when distributed between these classifications may be too small to permit any special or erratic conditions completely to iron or cancel themselves out. These aspects of the reports are discussed more fully under the heading "Limitations to Information on Operating Results" on page 6 of the bulletins, and to some extent under "How the Retailer Can Use Information on Operating Results" on page 8, to both of which the reader is referred. It should therefore be noted that the present studies are tentative in nature and must await the results of subsequent surveys for conclusive evidence as to the validity of many of the statistics herein presented.

In spite of the preliminary nature of the statistics, however, these reports are being issued in the belief that they will at least reveal the future scope for such studies and may well provide some useful, although perhaps rough, indications of the operating experiences of the retail trades under review. The bulletins have been prepared in the Merchandising and Services Branch of the Bureau, of which Mr. A.C. Steedman, B.A., is Chief, by Mr. A.M. Chipman, M.B.A., Statistician in the Branch. The suggestions of those obtaining and using these reports will be most welcome to the end that better and more useful studies can be made in future.

Herbert Marshall

H. Marshall,
Dominion Statistician.

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DEPARTMENT OF TRADE AND COMMERCE
DOMINION BUREAU OF STATISTICS
MERCHANDISING AND SERVICES BRANCH
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Series, 1944
No. 12

16 - 7030

OPERATING RESULTS OF INDEPENDENT RETAIL STORES, 1944.

PART I - GENERAL SECTION

This report is one of a series presenting average operating results in selected branches of retail trade for 1944 and, where possible, for both 1941 and 1944. The first series of such studies was made by the Bureau for the year 1938 and presented somewhat similar information on average operating expenses and profits against which individual firms could compare their own results. Since that time requests have been received on an expanding scale for corresponding types of reports, a fact which indicates the growing interest of merchants and others in information on costs in retail trade. It is in response to this demand that these reports are now being issued.

The basic information for such studies was obtained primarily for the purpose of improving the Bureau's estimates of the country's National Income which originated in unincorporated and independent retail stores. Such establishments predominate to a marked extent in retail trade, comprising 90 per cent of all 137,331 stores enumerated in the 1941 Census, accounting for 55 per cent of total sales of \$3,440,901,700, and providing a livelihood for nearly 132,000 proprietors and partners. The net earnings of these proprietors and partners thus represent an important contribution to the National Income totals. Aggregate figures on these net earnings, however, are not readily available to the Bureau from other sources and for this reason it was decided early in 1945 to obtain the required information by a direct survey of sample groups of retail stores.

Accurate and comprehensive figures on the National Income are now regarded as one of the best measures of the purchasing power and economic activity of the country. These statistics, consequently, are highly important as aids to both governments and business in the determination of their plans and policies, and particularly so in relation to the problem of maintaining high levels of employment within the country. Periodic surveys of retail trade will therefore be made to obtain the information necessary to estimate accurately the total net earnings of unincorporated retail stores for inclusion in the National Income statistics.

In carrying out this task it is hoped that information on average operating results will be made available to retailers in even greater detail than has been found possible in the recent survey. Thus, the co-operation of retailers in supplying information on their own operating experiences has two beneficial

results. In the first instance, it enhances the accuracy of the Bureau's estimates of the National Income and the soundness of the governmental and business policies which are based on such figures. Secondly, the co-operation of retailers in these surveys provides them with yardsticks of performance against which they can compare their own financial results.

The figures which co-operating retailers supply to the Bureau on their costs, expenses and profits are quite obviously highly confidential in nature. They are so regarded by the Bureau and are used only for the two purposes just outlined with no disclosures of the results of individual operations being made.

Information Contained in Reports on Retail Operating Results.

The information presented in this and subsequent bulletins consists primarily of the financial results which the different kinds of co-operating stores obtained in the year under review. The information consequently covers such individual items as net sales, purchases of merchandise for resale and beginning and ending merchandise inventories, cost of goods sold, gross trading profits after costs of merchandise sold have been deducted from sales, the several categories of operating expenses incurred during the period and finally the net earnings available to proprietors after all costs and expenses have been subtracted from sales. In other words, the information here under study consists of the more important financial items usually found in the typical retail Profit and Loss Statement.

There are of course many general factors which commonly affect the financial results of retail stores. Three of the more important of these consist of the kind of business, that is whether the store is a grocery, an apparel, a furniture store, etc., the amount of annual sales made by the store, and the basis of occupancy, that is whether the store is owned or rented. The reports of the co-operating retail stores were therefore classified by kind of business and within the kind of business categories into groups according to the amount of sales made. These groups were again divided by method of occupancy into "owned" and "rented" categories. The figures were then compiled for each of the individual groups and reduced to the form shown in the tables of this report. Thus gross trading profits, the several expense items and proprietors' net earnings before income taxes and withdrawals appear as percentages of sales while stock turnover appears as a ratio indicating the number of times the average inventories were turned over during the year.

These ratios are therefore averages of the operating results which the different groups of unincorporated stores actually obtained. As such, these averages are at least indicators of rates of gross trading profits, of expenses and net earnings which similar stores may have experienced in the period under review.

Importance of Information on Operating Results in Retail Trade.

The critical value of information on operating results for use in computing the net earnings contributed by unincorporated retail stores to the highly important National Income estimates has already been pointed out. Indeed, the net earnings of individually operated stores add to really sizable contributions, being estimated at nearly \$150,000,000 in 1941 and nearly \$200,000,000 in 1944. Quite apart from its value in this respect, however, there are other economic and business uses which increase still further the practical importance of this type of information.

Many of these uses arise from economic changes brought about by transition from war to peacetime conditions. During the war years, retail trade experienced high levels of consumer demand, usually for relatively inadequate and in some lines for severely restricted supplies of merchandise. These conditions in turn tended to reduce the intensity of competition between stores in the same kind of business, as well as competition for the consumer's dollar between stores handling different kinds of goods. The resulting curtailment of price competition between retailers, the extension of price control which in general tended to stabilize buying and selling price relationships for retailers, and a diminished need for mark downs and sales allowances all exerted influence in the direction of maintaining or improving the percentages of realized gross trading profits. Apart from the furniture, radio and electrical, and automotive kinds of stores, the sales volumes of individual stores generally increased throughout the war period. These gains in turn tended to level off or to reduce expense percentages, the dollar amounts for some of which had been favourably affected by reduced credit losses and by curtailed expenses of operation.

Different conditions, however, can be expected to prevail in peacetime which, for purposes of discussion, can be broken down into two phases. During the earlier transition period industry will re-convert to peacetime activities and its subsequent production can be deemed to go far to meet consumers' pent-up demands, especially for many types of durable goods. Consumer purchasing power will likely remain relatively high due partly to wartime savings, partly to the high level of industrial activity, and partly, with crops permitting, to the substantial export and domestic demand for food products. An expansion in the numbers of retail stores in business may also be anticipated as war veterans, and individuals displaced from war production, establish their own businesses. During the early part of this phase, the supplies of many kinds of consumer goods may be inadequate to meet popular demands for them. As this period advances, however, consumer demands will settle down more to a replacement basis, expanded output will be able to build up normal stocks of merchandise at different levels in the manufacturing and distributive processes, and the functions of demand creation and sales promotion will become steadily more important.

The more normal peacetime period may therefore be marked by the greater necessity to promote and sell the products of an expanded industry. With freer price relationships between merchandise cost and selling prices then prevailing, greater pressures may be exerted on retailers' gross trading profit margins than before. This condition will probably result from a combination of influences including the increased quantities of readily available supplies, the desire of manufacturers and retailers to increase commodity and store sales through lower prices, and from making mark downs and sales allowances more extensively than in the war and transition periods. Lower individual store sales volumes for many kinds of retail trade on average may also be experienced from increases in the store population, the diffusion of consumer purchasing power over widened ranges of merchandise, including, for instance, automobiles and related products, electrical appliances, etc., and from more intense competition between different types and kinds of retail outlets. These lowered sales volumes will then tend to increase percentage rates of expense, many of which will be forced upward by greater dollar expenditures for advertising, for store renovation, and possibly for the provision of greater services to store customers.

Such tendencies toward reduced store sales volumes, to lowered gross trading profit and to increased operating expense percentages in the more normal peacetime period emphasize the need for progressive improvements in the management of independent stores if their continued existence and their proprietors' standards

of living are to be assured. These conditions thus impose upon retail merchants the necessity for using productive methods of sales promotion to maintain sales volumes, for informed buying and pricing practices to obtain adequate gross trading profits, and for careful control of operating expenses to secure adequate and reasonable net trading profits. They require in addition the periodic self-examination of the merchant's financial results so that weak spots in the store's operations can be revealed and remedied.

These periodic reviews of the store's operations are most revealing when individual merchants can measure their own financial results against certain outside standards or yardsticks of achievement. It is these standards or yardsticks of financial performance which this Bureau is now presenting in its reports on the actual operating results of sample groups of retail stores. With reports of this type, individual merchants can compare their rates of inventory turnover and their percentages of gross trading profits, operating expenses, and net trading profits with those obtained by similar kinds of stores. Guides of this nature enable retailers to determine whether their experiences are better or poorer than average, and where poorer, the factors producing the inferior results can be further analyzed for corrective action.

In addition to serving as aids to store management, information on operating costs is of considerable practical value to individuals planning the establishment of retail businesses. Reports of this type enable prospective retailers to find out what operating conditions are like in the trades they are considering, what net earnings they may reasonably expect from different sales volumes, and what standards they must achieve to obtain the net earnings they desire. The same reports also provide these individuals with knowledge of the average sizes of inventories carried, a factor of importance in estimating their capital requirements. Frequent requests are now received by the Bureau for information on sales and earnings possibilities in different trades and localities, on trade practices, capital requirements, etc. Provision of figures on operating costs thus widens the field of service the Bureau can provide, a service particularly timely when so many are approaching the opportunities for profitable establishment in business.

Over a period of years the expanding use of the Bureau's reports on operating results may produce benefits of importance to those engaged in retail trade. These benefits may well appear in the form of greater efficiency in store managements, increased flexibility to meet changing conditions in distribution, and greater stability in the business existence of retail stores through reductions in overall rates of business mortality. Improved management implies a greater knowledge of operating costs and the means of controlling them. It enables the value of services rendered to be measured against their costs, and by focussing attention on the critical gross trading profit percentage emphasizes the importance of careful buying to reduce mark downs, etc., and yet maintain satisfactory net earnings positions. Management of this sort, particularly in the smaller independent stores, also implies an awareness of trends and competitive conditions in retail trade, thus tending to promote the openmindedness and flexibility to meet new problems with new methods and cope with them.

The economy of the country also gains from the extension of these benefits throughout retail trade. Improved managerial efficiency may well mean the provision of higher standards of living to those engaged in retailing. Under the pressure of competition lower prices can be passed on to consumers without impairing the earnings of other groups of individuals or producers, thereby increasing indirectly the purchasing power available for other commodities and services. Finally, reductions in business mortalities represents lowered credit losses and the decreased

wastage of capital and effort invested by unsuccessful merchants in their retail businesses.

Methods of Making Survey and of Compiling Results.

As already indicated, the purpose of this survey of operating results was to obtain sufficient information from stores operated by individuals and partnerships to enable accurate overall estimates of their net earnings in 1941 and 1944 to be made for inclusion in National Income figures. This would have involved a coverage according to 1941 figures of some 124,000 stores -- far too many to permit a comprehensive survey of all stores.

It was therefore decided to obtain the results from a sample of these stores, some 17,000 being chosen for this purpose. These stores, although selected at random, were carefully distributed geographically to represent each province and each of the 28 important retail trades from which the information was needed. Not all firms were able readily to provide the required information while changes in business and other causes further reduced the sample. In addition, some of the reporting stores were able to supply figures for only 1944. In general, however, sufficient reports were received to enable overall net earnings' estimates to be made for both 1941 and 1944. Reductions in the size of the sample, however, prevented the preparation of tables showing 1941-1944 comparisons of operating results for some trades and in some cases also limited the extent to which average operating results could be broken down into sales size and "owned" and "rented" classifications.

Following completion of the editing process and the preparation of the National Income estimates, the schedules were re-processed for compilation of reports on operating results in the various kinds of retail business. In addition to the kind-of-business groupings, there were several ways in which the schedules could have been classified such as by size of business and method of occupancy, by provinces or regions by size of business, by size of locality by size of business, etc. Examination of the reports submitted for the different retail trades, however, indicated that in many instances the number of schedules was too small to enable many of these detailed classifications to be made. The reports were therefore grouped on a Canada-wide basis into size-of-business categories and within these by method of occupancy into "owned" and "rented" sub-divisions.

Statistical tables showing average operating results in 1944 for the various retail trades were then prepared. Here the results appear in five size-of-business groups for "owned" and for "rented" stores having 1944 sales volumes of less than \$10,000, between \$10,000 and \$20,000, \$20,000 and \$30,000, \$30,000 and \$50,000, and sales of \$50,000 and over. In some instances, however, the number of reports for "owned" or for "rented" stores was too small to justify the publication of figures for one of these types of occupancy.

Where possible tables were also prepared to present comparative and average figures on the results which identical groups of stores obtained in 1941 and 1944. Individual returns were therefore classified before tabulation into three size-of-business divisions and within these, between "owned" and "rented" establishments, according to the sales they made and the methods of occupancy they used in 1941, irrespective of their size of business or type of occupancy in 1944. Unfortunately, however, comparative statistics for both 1941 and 1944 cannot be published for some retail trades due to the limited numbers of reports giving information for both years. In other cases, comparative results for 1941 and 1944 are presented by size-of-business groups for only "owned" or "rented" stores, the sample in these instances being too small to permit statistics for one of these types of occupancy to be of much practical value.

A glance at the tables appearing in this report will reveal quickly the items for which statistics are given in the various size-of-business and occupancy columns. These are grouped into two sections, one designated as the "General Information" and the other as the "Profit and Loss Data" section.

The "General Information" section, as its name implies, consists of statistics useful as background material for interpreting the percentages shown in the following division of the tables. Nine individual items are here shown, consisting of figures on number of stores reporting, sales, inventories, cost of goods sold, and stock turnover in times per year. Apart from "Average Sales Per Store", "Average Inventory Per Store, End of Year", and "Stock Turnover (times per year)", the figures appearing in this section are the dollar totals of the amounts shown in the individual reports of the co-operating stores.

Items included in the "Profit and Loss Data" section consist of "Gross Trading Profit", "Employees' Salaries and Wages", "Rent", "Advertising", "Depreciation", "Other Operating Expenses", "Total Operating Expenses", "Proprietor's Net Earnings Before Income Taxes and Withdrawals", and "Average Proprietor's Net Earnings Per Store". Dollar figures for all of the above items with the exception of "Average Proprietor's Net Earnings Per Store" were of course compiled by sales-size and occupancy categories and were then expressed as percentages of the total sales reported by those groups of stores. In this way the percentages become averages for the several classes of unincorporated retail stores.

The explanations for the above terms are set forth later in this report under the sub-heading entitled "How The Retailer Can Use Information on Operating Costs". It can be noted here, however, that both the percentages and the dollar figures for proprietor's net earnings are weighted by the inclusion of two different elements. One of these comprises the proprietor's remuneration for managing the business -- an amount which would in fact have been charged as an expense against the store if the business had been incorporated or had been operated as a unit of a retail chain system -- while the second consists of the smaller and residual net profit element which compensates for capital invested and risked and for unusual merchandising abilities brought into play. Quite obviously the figures shown for net earnings considerably overstate the proprietor's 'net profits' because they also include the allowance for proprietor's managerial services. Questions were consequently included in the schedule to permit objective allowances to be made for these services but insufficient information was obtained to enable the two elements in proprietor's net returns to be separately presented. The final item on average net earnings per store is therefore shown in dollar figures in the tables, partly as an offset to the relatively high net earnings percentages revealed by the previous series and partly to enable the reader to make his own allowances for the two principal elements the net earnings figures contain.

Limitations to Information on Operating Results.

Many retailers may quite probably use the averages contained in the tables of this series of reports as information against which their own results can be compared and analyzed. Others may use the statistics in a broader way as indicators of distribution costs in the various retail trades. Both uses are of course quite proper but the information will serve these uses best when the limitations inherent in the figures are fully appreciated.

In the first instance it is important to note that the figures are based only on the results of unincorporated retail stores. The averages therefore do not reflect the results obtained by stores operating under the incorporated form of

organization. The absence of these stores probably bears most heavily upon the representativeness of the averages for stores in the higher sales volume brackets in which incorporated stores are most frequently found. Quite apart from differences in the qualities of management between these two types of establishments, however, the figures for average sales and average year-end inventories per store, stock turnover, gross trading profits and percentages for rent, advertising, depreciation and all other operating expenses will be readily useful to incorporated store managements. Employees' salaries and wages and proprietor's net earnings before income taxes and withdrawals, on the other hand, are not comparable without adjustments with similar percentage figures for individual incorporated stores because allowances for proprietors' managerial services have been excluded from the former and included in the latter item.

In the second place, the figures on operating results are based upon returns from relatively restricted numbers of stores in the different retail trades under study. These samples, chosen at random, are presumed to give representation to the several factors which influence operating results, including differences arising from size of business, methods of occupancy, from the sizes of locality and provinces in which the stores are situated, from degrees of service provided to customers, merchandising policies and variations in the quality of store managements. Size of business and method of occupancy rank high among these factors and the tables were therefore prepared to show operating result averages for different sales-size and occupancy groups of stores. Within these breakdowns of the overall sample the remaining factors naturally tend to 'average out' in the Canada-wide operating averages presented.

The proper 'averaging-out' of the above variations is naturally dependent upon a sufficient number of reports being included to permit this process automatically to take place. Examination of the tables, however, will indicate that the number of usable reports included in the various sales-size and occupancy categories is often quite small, frequently representing less than ten stores. In such cases the results should be compared carefully with the results shown for other sales-size brackets to appraise consistencies in trends between the different groups. Where the results appear definitely out of line with these trends, the figures should be interpreted with considerable care because it is quite possible that the averages for that bracket are not typical of the average results for all stores of that size.

The 'averaging-out' within the different sales-size brackets of the factors which affect retail operating results, however, imposes certain limitations upon the use of operating cost information by individual merchants. This is because retailers wish to compare their own results with those obtained by stores as similar to their own as possible. With the tables set up in the present manner, retailers are able in part to do this because they can match their own results against those of stores in their own sales-size and occupancy classes. On the other hand, these overall figures also reflect the combined and average influences of location by provinces and by size of locality, of degrees of service provided and of merchandising policies followed. Individual retail stores, however, experience not the 'average', but rather the full effects of such factors in their operating results. Thus the overall percentages may well be quite accurate in what they represent and yet differ considerably from the experiences of individual stores. Unfortunately the isolation of such influences would require a considerably larger number of reports than were received from the recent survey of operating costs.

An additional point arises in connection with the way average expense percentages for employees' salaries and wages, advertising and depreciation were built up. Some reports for instance did not show dollar amounts for one or two of

these expense items. When no values were shown for the first two types of expenses, the practice was to accept the report on the assumption that the store required no paid help and in the case of advertising that no such expenditures were incurred. Where no amounts were shown for depreciation and no indication was given that any had been taken, the schedule was examined to see if the size of business justified further attention. If so, the firm was either corresponded with or an estimate was made for this item. In all cases, of course, the expense ratios represent the total dollar expense figures for each item in each individual classification expressed as percentages of the total sales reported by stores in that category. The expense percentages for these three items may therefore be slightly less than they would have been if only the sales of stores reporting full expense figures had been used.

How the Retailer Can Use Information on Operating Results

Mention has already been made of the conditions in retail trade which may prevail in the more normal peacetime period after the transition phase has been negotiated. This possible pattern of economic factors, it was suggested, may include a greater pressure of available supplies on retail and consumer markets, a relatively smaller unstimulated demand for those commodities, a greater competition in retailing associated quite probably with freer and often somewhat lower prices, and the possibilities of reduced percentages of gross trading profit, of lower individual store sales volumes for many kinds of independent stores, and of higher expense percentages. Such factors raise the question of how individual merchants can best utilize information on average operating results as a management tool in meeting their problems of transition and adjustment to changing economic conditions.

Use of operating cost averages in this way depends essentially upon comparing results of individual stores with those obtained by similar stores in the same kind of business. The retailers therefore should first determine from the tables the size of business and occupancy categories most similar to his own store. This may be done by comparing his own sales for the period with the sales-size brackets of the tables to determine his size category and by selecting the occupancy basis coinciding with that of his own business. He should next reduce his own financial items such as his stock turnover, his gross trading profits and his several expense categories to conform with those appearing in the tables and express these figures in ratio form -- for the most part as percentages of his own total net sales and receipts from services performed. He is then in a position to compare directly his own results with those which other more or less similar Canadian stores obtained in the same period.

"Number of Stores Reporting", the first item in the tables is also the first item to which the merchant should direct his attention. This figure, indicating the number of reports upon which the following percentages are based, is a good overall indicator of how typical those ratios may be of the entire class of stores they are presumed to represent. Such percentages, it will be recalled, become more accurate as overall measures of their class as the numbers of stores in the sample increases. Consequently the averages for particular categories where the number of reports is small should be compared with other brackets for consistency before those averages are applied against the results of the individual store.

"Average Sales Per Store" is a useful comparative figure because it gives the retailer an idea of the size of the 'average' store in each size-of-business bracket. With this information the merchant can identify the position of his store as either below, above, or at the sales-average point in his appropriate category. He can make the necessary allowances therefor when comparing figures for stock

turnover and percentages for the various operating expenses and net earnings with his own results.

"Total Inventory Reported" as a section within the tables contains four items of which the first two and the last will be of considerable interest. The first two show total inventories of merchandise for resale of all reporting stores at the beginning and end of the year under review. Individual merchants can thereby take note of the dollar change in such stocks between the two dates which for the sake of convenience may be reduced to percentage form. This variation can then be compared with changes in their own inventory levels to indicate how their own experiences conform with the trend for the group.

"Average Inventory Per Store, End of Year", the last of such inventory items reduces the total end-of-year stocks of reporting retailers to a per store basis and thereby indicates the average amount of capital per store that was invested in stocks at that date. Admittedly these figures have been influenced by wartime conditions which have affected the quantities on hand, the commodity composition of the stocks and the cost prices on which the inventory valuations rest. Moreover, the value of inventories on hand at the end of the year is often an inadequate measure of the stocks which were maintained throughout the period because the end-of-year stocks for many trades tend to reach a relatively low point at that time. In view of such limitations, comparisons based on these averages reveal at the most the extent to which the merchant's residual and immediate supply position conforms with others in his own sales-size bracket. Under normal supply-demand conditions, however, such figures would probably provide on average a better indication of the more basic and minimum inventories which reporting retailers of that size feel were required at that time.

"Stock Turnover (times per year)" is the number of times that reporting stores disposed of their average inventories of merchandise in the year. For purposes of this report, it has been calculated by dividing the average of the total beginning and ending inventories at cost values into the "Cost of Goods Sold". The latter item itself is a computed one, being determined by adding beginning merchandise inventories to purchases and deducting stocks of goods left on hand at the year-end. Merchandise purchases here consists of the invoice value of all goods bought for resale during the year, less returns, allowances and cash and trade discounts, but including duty, inward freight, and express and truckage charges. Obviously the individual merchant must calculate his own stock turnover in the same way before valid comparisons can be made with similar stores. So computed, both stock turnover figures probably overstate the actual number of times the average inventory was disposed of since the beginning and ending inventory figures each reflect year-end valuations when stocks are frequently at their lowest. This does not impair the value of conclusions based on comparisons because the turnover figures for the individual store and sample group of stores are similarly affected.

Having computed his stock turnover in the above manner, the retailer may find the figure for his store somewhat lower than the average for the comparable group of retail establishments. The immediate explanation for this variation of course is that the merchant seemingly used a larger average inventory to obtain his sales volume than the sample of similarly-sized stores used to obtain theirs. The merchant's larger average inventory, in turn, may result from one of three situations, namely, that his opening inventory was higher than the beginning per store inventory for the group, that his ending inventory was larger than the ending per store inventory for the group, or that both his beginning and ending inventories were larger than that of the sample group of stores.

The first of these, that the retailer's opening inventory was out of line

with the average for the group, may be determined by calculating the average per store beginning inventory for his class of store and then making a direct comparison. The merchant's larger beginning inventory may have been caused by the arrival of a comparatively large shipment of merchandise just before the year opened, or to other conditions applying more particularly to operations in the preceding year. The fact, however, that his end-of-year stocks were more closely in line with the average for his group not only indicates a liquidation of part of his inventories, but also suggests that the merchant enjoyed a higher rate of stock turnover during the latter part of the year than that of his class.

The second possibility, that his ending inventory exceeded the average for his group while his beginning stocks were more closely in line, could have been caused by several factors. Thus receipts of merchandise just before his financial year ended may have been sufficiently heavy to produce the comparatively larger inventory position. This would clearly reduce his calculated rate of stock turnover but it would not necessarily mean that his real turnover was lower than the average for his class. Another explanation is that the merchant experienced a lower volume of sales in the closing months of the year than he had expected, while his purchases of merchandise continued unchecked. Such a condition might be a matter of considerable concern, first because of the possibility of continued curtailments in sales and second, because the merchant would be facing a new financial year with a relatively heavy and perhaps unbalanced inventory position.

The third possibility, that the retailer's beginning and ending inventories were both higher than the average beginning and ending per store inventories for the group, from the merchant's viewpoint is probably most significant of all. Some retailers, of course, may end their fiscal years at times when due to seasonal factors their stocks are naturally quite high. In such instances an unreal comparison could result because most of the reporting stores terminated their accounting years at the end of December, January, or February when their stocks were comparatively low. In all other cases, however, such a state of affairs indicates quite definitely that the retailer is using a larger inventory to produce his sales than those used on the average by other stores in his class. For some stores, the size of the floor area or the use of mass displays of merchandise may require heavy but balanced stocks of goods; for others, the comparatively large inventories may result from the policy of purchasing in sizable quantities for quantity discounts, or for other reasons. Such inventories of course require the investment of additional capital in merchandise, but the retailers concerned may feel the risks to be justified in the light of the gains achieved. In other instances, however, the carrying of higher inventories may well suggest the presence in the inventory of unnecessarily large quantities of slow-moving goods which have accumulated over a considerable period. Here, the careful examination of the retailer's inventory position with a view to the clearance of the excessive stocks of particular items may be in order to minimize the possibilities of losses on eventual disposal, to make way for better stocks, and to release capital for more profitable investment in other ways.

"Gross Trading Profit", as has been pointed out earlier, is the difference between net sales of merchandise, including proprietor's withdrawals of goods and receipts from repairs/services, and the "Cost of Goods Sold". The latter item is calculated by adding beginning merchandise inventories to purchases and then subtracting the inventory of merchandise left over at the end of the period. Merchandise purchases, of course, represents the total invoice cost of the goods less returns, allowances and cash and trade discounts, but includes both duties levied on imported commodities and inward transportation charges. "Cost of Goods Sold" is therefore the cost value of the merchandise which was sold or otherwise disposed of while "Gross Trading Profit" is the gross income fund remaining from store receipts after the merchandise costs have been deducted.

The "Gross Trading Profit", then, arises directly out of the retailer's activities in buying, selling and managing his inventories of merchandise. As such, it can be considered in two ways, that is, the total amount of gross trading profits realized during the period and also the percentage rate at which they are made. To retailers, both aspects are important. The actual amount of such profits is significant because it is from this profit fund that the operating expenses must be deducted before the retailer can properly claim the net earnings which determine his standard of living. The percentage rate is of interest because it is a measure of his success in obtaining a satisfactory overall spread between merchandise costs and sales, and indicates what could reasonably be expected in the future from a given volume of sales.

In the tables, the gross trading profit is shown only as a percentage of sales, thereby setting forth average standards of performance for each of the size and occupancy classes of co-operating stores. These percentages therefore represent the overall maintained mark up on sales which, on average, was obtained by the reporting stores. Such ratios can also be expressed as percentages of cost of goods sold merely by expressing the gross profit percentage as a fraction of the remaining cost of goods sold percentage and multiplying by 100. For instance, if the gross profit forms 25 per cent of sales, the cost of goods sold would form 75 per cent of sales, and the maintained mark up on cost for the store then would be 25 per cent over 75 per cent times 100 per cent, or $33\frac{1}{3}$ per cent on the cost of goods sold.

To compare his own rate of gross trading profit with the average obtained by the reporting stores in his own group the retailer should be sure his gross profits have been calculated in the above manner and then expressed as a percentage of his total net sales including his receipts from repairs and other services rendered. Having done this, the retailer may find his own gross profit percentage, for instance, somewhat lower than the average for the reporting stores in his sales and occupancy group. He can then analyze his own trading activities to uncover by process of elimination the possible reasons for his seeming less-than-average performance.

One or more of a number of factors, together or singly, could depress the merchant's percentage of gross trading profits. On the selling side of the picture it is possible, for instance, that an unusually large proportion of the retailer's sales could have been concentrated in the lower-profit lines of merchandise; in other words, that he was not selling enough of the higher profit items to 'average-up' his gross trading profits. Competition may possibly have required the retailer to sell at relatively low selling prices and thus at relatively small original mark ups over cost values during the period under study. In some cases, merchants may have had satisfactory original mark ups but later on have marked down sharply the retail prices of various items for sales promotional purposes; in others, heavy mark downs may have been taken to clear excessive stocks of slow-moving goods, to sell merchandise depreciated by style changes or by the possible appearance of better goods to replace various types of wartime articles, or to dispose of perishable commodities before total losses were sustained.

Factors relating to purchasing for resale likewise could have had a downward influence on the gross profit percentage. Miscalculations in estimating the demand for certain lines of merchandise, for instance, could have been the original reason for some of the clearance mark downs just described. Difficulties in purchasing goods at cost prices sufficiently low to enable satisfactory original mark ups to competitive selling values to be obtained is another factor. This experience, of course, is at least partly common to other retailers in the same kind of business. Failure to take the full benefit of cash discounts also tends to reduce the gross trading profit percentage. Such discounts, although representing

a worth while addition to the income of the business, will usually not of themselves cause any considerable change in the gross profit percentage.

A number of other factors may also be influential in producing a lower-than-average rate of gross profit. An over-valued beginning inventory, for instance, will cause a larger figure to be shown for cost of goods sold and thereby will reduce gross trading profits. An ending inventory that is under-valued, or one which has been written down in value due to lower cost prices or to depreciation in the quality of the merchandise, will also lead to the same result. Stock shortages, too, will have a similar effect. Here the retailer should perhaps compare his gross profit percentage with those for previous years to see whether a sudden or more gradual drop has been experienced. Merchandise withdrawn by proprietors or by employees as part payment for services rendered, will likewise depress the gross profit percentage if such amounts have not been included in sales at full retail values. In cases where cash receipts are considered as sales the withdrawal of cash by the proprietor without including it in his total receipts, or the transacting of an unusually large proportion of business on a credit basis near the end of the financial year, again will reduce the gross trading profit and its percentage for the year under review.

"Employees' Salaries and Wages", exclusive of all types of cash withdrawals by the individual retailer, may appear higher when expressed as a percentage of his total sales than the average obtained by reporting stores in his own size and occupancy group. Such a situation could mean that the merchant's employees are not as productive of sales volume in proportion to their salaries and wages as those of similar stores. This might result from the fact that the retailer is paying them at higher rates of pay than other merchants in his class. Alternatively, the retailer could be using more full-time and fewer part-time workers than the comparable outlets, or is relying more on male employees than was true of the group of similar reporting stores.

The types of services provided by the retailer to his customers might also be an explanation. Some of these extended on a non-charge basis, such as free delivery, the provision of credit, the making of adjustments and alterations, etc., could have increased the routine work of the store sufficiently to require additional help. Certain other services performed on a charge basis, such as repairs, etc., could also increase staff requirements, even though profitable revenues were obtained.

Certain peculiarities in the retailer's business may also account for the higher-than-average percentage for salaries and wages. If the merchant is conducting a mixed business or, in other words, is operating another business besides his retail store, he may have allocated too high a proportion of his salaries and wages to his store. On the other hand, the proprietor may be giving more of his attention to the other activity, relying to a greater extent on paid help to operate his store.

In some instances the merchant's higher payroll percentage may reflect peculiarities of some of the stores included in the different sample groups of stores. Probably the most important of these is the likelihood that some of the reporting stores may have been relying in part at least on family members for store help. Some of these individuals may not receive any regular wages and others may be paid at less than going rates of pay for their services. The inclusion of these stores in the sample therefore would result in a somewhat lower salary and wage percentage than otherwise would have been shown. In general, however, these peculiarities to the extent that they do exist will probably be most pronounced in the smaller size-of-business groups of stores.

"Rent", when expressed as a percentage of the retailer's total sales may also appear higher than the average for comparable stores. Some allowance, though, should be made for such differences, particularly when merchants who are comparing their results are situated in the larger centers of population. This is because the reporting stores represent the various sizes of locality, including the larger cities in which dollar rents often tend to be somewhat higher than in the smaller places. In the tables, however, these higher rents are 'averaged down' by the lower rental experiences of stores in the smaller localities.

When due regard has been paid to this fact, it may be true that the merchant's rental percentage is still above the average for his group, - in other words that he is not obtaining as large a sales volume per dollar of rent expense as the comparable stores obtained. Several factors, of course, can account for his less-than-average performance. Among these is the possibility that especially severe competition or lack of aggressive promotion may be keeping the retailer's sales volume down; that he has been in business for a relatively short time and has not yet built up his sales volume to the potential his location offers; or that the merchant is situated in a city with particularly high commercial rentals. In other cases, the merchant may be renting more than the space required for his store and yet be charging the full rent to the store business. Here the comparison may not be as adverse as it seems when the proportionate amount of rent is charged against the store.

"Advertising", shown in the tables as average percentages of sales, is based on the sales of all stores in the several categories even though some stores may not have incurred any advertising expenses. This clearly would reduce the average advertising expense ratios below what would have been the average for the stores that advertised, and hence should be allowed for in making comparisons. As in other cases, a higher-than-average advertising expense ratio may be due to a number of possibilities requiring analysis by the merchant concerned. Thus he may have been trying to expand his sales volume through advertising and deliberately incurring high initial expenses for such publicity. Special clearance sales may have been held which required higher-than-average advertising expenditures, or perhaps he found it necessary to advertise heavily as a defensive measure against especially severe competition which may have featured his trading locality. There is also the further possibility that due to various reasons his advertising is not producing the extra business that it should.

"Depreciation", as percentages of total sales, measures the extent to which the owned fixed assets of the store -- including the value of new additions or replacements -- have decreased in value by wear and tear, by getting out of date, or simply by growing older. This of course is a real expense of the business even though it does not immediately involve cash expenditures, for the business man should recover his capital either for investment in new assets or for other uses. The size of this expense obviously depends upon whether the store building is owned or rented, the original costs and types of the fixed assets which are owned, and the rate at which those assets are being written off.

Not all of the co-operating stores reported allowances for depreciation. In some instances, at least, this may have been due to the fact that the fixed assets had already been written off. Quite possibly, the wartime scarcities of equipment, materials and labour may often have prevented replacement or renovation of the fixed assets, thus depressing the depreciation expense percentages below what they would have been in normal times. In other instances where no depreciation was shown, a corrected figure was obtained for depreciation or alternatively an estimate was entered in the tabulations for this expense. In general where correspondence with reporting stores was undertaken the following rates were suggested

for consideration: on cost of building, a maximum of 5 per cent if of wood, and of 2-1/2 per cent if of brick or stone; on delivery equipment, 25 per cent of cost for the first year and 20 per cent thereafter; on fixtures, a maximum of 5 per cent; and on machinery, of 10 per cent per year.

In comparing his own depreciation expense percentage with those shown in the tables, the retailer should recognize that the averages are somewhat lower, frequently in the smaller size groups, than they would have been if only stores reporting depreciation allowances had been taken. If the merchant's depreciation ratio still appears high it is very likely due to certain factors peculiar to his own business. Thus his fixed assets may be more elaborate; their original cost may have been greater; some of them may have been purchased more recently; or the rates of depreciation used may have been higher. In any event the element of depreciation is there, and the rate of allowing for it can only vary on a sound basis between fairly narrow limits.

"Other Operating Expenses", comprise all legitimate expenses still remaining and include heat, light and power, store supplies, taxes other than income taxes, business insurance, losses on bad debts, repairs and maintenance, interest on borrowed money, etc., but do not include proprietor's salaries or withdrawals. As such it is unfortunately too mixed an expense category to permit a detailed analysis of the reasons for the difference between the individual retailer's expense ratio and that of his group. Furthermore the merchant must make an allowance for a reasonable difference between the two expense percentages because of the varying experiences of stores reporting their "all other operating expenses". If his own percentage is still somewhat higher than the average, however, the retailer may well check through his residual expenses to determine the reasons for them and to assess the possibilities of effecting certain reductions in the future.

"Total Operating Expenses", when expressed as a percentage of the store's total sales, is of course merely the sum of the individual expense percentages previously discussed. The difference between the individual merchant's total expense ratio and that of his group is consequently the net result of the variations he finds between his own individual expense items and the averages for his comparable group of stores. These differences could quite possibly cancel each other out to leave the retailer's total expense ratio closely approaching the average for the category against which it is compared. Clearly, however, this does not mean that no opportunities exist for a curtailment in total operating expenses by a careful examination of the individual expenses which were incurred.

"Proprietor's Net Earnings Before Income Taxes and Withdrawals" is obviously the final result and financial objective of the retailer's merchandising activities. In percentage form it is the measure of the merchant's success in keeping his gross trading profit and his total operating expenses sufficiently far apart to yield a positive percentage of net earnings which is, of course, exclusive of non-trading incomes such as return on investments, rentals received and so forth. If, then, the retailer's percentage of net earnings is less-than-average, it must be due to either one - or both - of two factors: i.e., a lower-than-average gross trading profit percentage, or a higher-than-average total operating expense ratio, the possible causes of which have already been commented upon.

"Average Proprietor's Net Earnings Per Store", as already explained, consists of the total reported net earnings divided by the number of co-operating stores. Expressed as a percentage of total net sales, this item will frequently appear large. This is because it contains two dissimilar and unmeasured elements, one being the remuneration usually thought of as the proprietor's real salary for

managing the business, the other consisting of the net trading profits which are in turn made up of a legitimate reward for exceptional merchandising abilities and a return on capital invested - and risked - in the enterprise. Allowances must therefore be made in the dollar figures shown in this item for the proprietor's managerial services before the real profitability of the individual store or the comparable group of stores can be appraised.

Discussion in this section, it will be noted, has dealt with three phases of the problem of "How The Retailer Can Use Information On Operating Results" in studying his stock turnover and his various profit and expense items. First has come an explanation of what each item is and how it is made up. Then it was assumed, for purposes of comparison only, that the retailer's results were inferior to the average for his comparable class of stores. This, in turn, was followed by a discussion of the possible operating factors which might have caused the poorer results. Many of these factors, however, would have resulted in average or better-than-average performances being obtained if their direction had been reversed. For this reason, therefore, no attempt was made to analyze the reasons for higher-than-average operating results.

Finally, it will be observed that no recommendations were made for the correction of adverse conditions. Frequently such conditions, such as particularly severe competition, are in fact hard realities which must be faced. Here, as in other cases, analysis based on facts and imagination must be relied upon to solve many of the individual problems of retail managements.

PART II - COUNTRY GENERAL STORES

Trends by Size of Business, 1944

Country general stores as defined in the Census are located in places of less than 2,000 population and carry a general line of merchandise. Food products are sold in important quantities but if their sale amounts to as much as 80 per cent of the total business the store is considered to be a grocery rather than a country general store. Men's and women's apparel, dry goods, shoes, hardware products and tobacco products are other important types of commodities which are handled by this trade.

An analysis of the goods carried by the country general stores reporting their sales by types of products in the 1941 Census of Merchandising well illustrates the multitude of individual products they usually carry. Food items bulked heaviest with 43 per cent of total sales, but men's and women's clothing together formed 12 per cent; dry goods, 4 per cent; footwear, 5 per cent; hardware 5 per cent, and tobacco products, 4 per cent of sales. Other products handled in fairly important amounts consisted of such lines as hay, straw, grain and feed at nearly 6 per cent of sales; gasoline, lubricating oils and greases at 4 per cent; household supplies at 3 per cent; building materials, and paints, varnishes and glass at nearly 2 per cent for each, and drugs, drug sundries, toilet articles and preparations at 2 per cent. The remaining 8 per cent of total sales was made up of a great diversity of items including farm and garden equipment and supplies, automobile parts and accessories, fuel, furniture, house furnishings, and miscellaneous merchandise.

These stores, it may be noted, play an important part in Canada's system of retail distribution. In 1941, for instance, there were 11,917 country general stores in Canada making total sales of \$214,747,800 to consumers in that year. In terms of employment their contributions were equally noteworthy for they provided gainful occupations for nearly 11,900 proprietors, and for some 15,300 employees who received a total of \$9,309,000 in salaries and wages.

Turning now to the results of the recent survey of operating costs, 169 usable schedules for 1944 were received from co-operating country general stores. These were sorted into five groupings according to size of business and each was further divided into owned and rented stores to produce ten sales and occupancy classes of stores. Here it was found that only 2, 3 and 5 reports for rented establishments were included in the less than \$10,000, the \$20,000 to \$30,000 and in the \$50,000 and over sizes of stores, numbers far too small to permit averages to be shown. Table 1 therefore presents statistics for only seven of the ten sales and occupancy groupings where the samples ranged between 15 and 29 reports to a classification.

Stock turnover faster in bigger country general stores

According to the figures presented in that table, the average rates of stock turnover varied for the seven classes of stores between 2.6 and 5.2 times in 1944. Here, it is clearly apparent that the larger general stores turned over their average inventories of merchandise more frequently than did the smaller ones. Such a trend of course merely means that in progressing

from the smaller to the larger sizes of stores, the average sales per outlet expanded much faster than did the average inventories. This relationship is illustrated most clearly by the jump from a stock turnover of 2.6 times for owned stores in the less than \$10,000 size to 4.4 times in the \$10,000 to \$20,000 size of business. Average sales here increased from \$6,278 to \$15,706 per store or roughly by about 150 per cent while average inventories rose from \$2,093 to \$3,279 per outlet or by only 57 per cent. Thereafter the stock turnover for owned outlets dropped slightly to 4.1 times in the \$20,000 to \$30,000 store size to increase finally to 5.1 and 5.2 times in the \$30,000 to \$50,000 and the \$50,000 and over sizes of business.

These rates of stock turnover, it may be noted, are considerably lower than the corresponding averages for grocery stores which ranged between 6.7 and 13.4 times in the same year. On the other hand, the reporting country general stores obtained substantially higher rates of turnover than the averages which the reporting men's, women's and family clothing stores experienced during that period. In this respect, of course, the rates of turnover recorded by general stores were influenced upward by their substantial trade in fast-selling food products and downward by their sales of slower moving lines of apparel and other goods.

Indicating the substantial amounts of capital invested in merchandise stocks, the average ending inventories of country general stores ranged between \$2,093 and \$15,811 per store at the close of 1944. These averages expanded consistently as the businesses became larger, a reflection of the greater quantities of goods required to support the higher sales volumes. Inventory levels, it will be observed, were uniformly larger at the end of 1944 than at its beginning, the overall increase for all five size classes of owned stores amounting in fact to about 7 per cent over total inventories reported for the beginning of the year. By size of business, however, the gains for owned stores were quite irregular; moving from the smallest to the largest sales groupings the average gains amounted to 5, 11, 4, 8 and 7 per cent over beginning inventories.

Gross trading profits average between 13.8 and 16.9 per cent of sales

Average rates of gross trading profit for the seven classes of country general stores varied between a low of 13.8 and a high of 16.9 per cent of sales in 1944. For the five groupings of owned stores gross profits were highest in the less than \$10,000 sales size at 16.7 per cent of sales. From that point, the ratio dropped sharply to 13.8 per cent for stores with sales between \$10,000 and \$20,000 and then stabilized at 14.6, 14.2 and 14.4 per cent of sales for the three larger sizes of stores. These rates of gross profit, it is interesting to note, were relatively close to those obtained by grocery outlets whose averages for nine sales and occupancy groupings of stores ranged in 1944 between 13.0 and 18.8 per cent of sales. This similarity probably arose partly from the fairly high proportion of food products the reporting general stores were handling and partly from the fact that many of their other lines of merchandise being mainly staple types of merchandise were also probably sold at relatively low rates of gross profit.

Bigger stores had the higher payroll ratios

Among the operating expenses, the seven ratios for employees' salaries and wages varied in 1944 between 1.4 and 4.5 per cent of sales. With

but one exception, the five ratios for owned establishments were higher for the bigger stores, a natural trend because the proprietors of the larger general stores probably accounted personally for smaller shares of the greater selling and indirect types of work. Thus beginning with the average of 1.4 per cent in the \$10,000 to \$20,000 store size, the progression moved upward to 2.1, 3.1, and finally to 4.5 per cent of sales in the largest size of business. The considerable increase from 3.1 per cent in the \$30,000 to \$50,000 grouping to 4.5 per cent in the \$50,000 and over sales size probably reflects the sharp gain in store sales, for average sales in the former category amounted to \$40,913 per outlet against an average of \$93,464 per unit in the largest size of business. The apparent exception mentioned earlier occurred in the less than \$10,000 store size where the ratio stood at 2.0 per cent against 1.4 per cent in the next larger size. This probably resulted from the presence of a number of erratic payroll experiences in the smallest sales size which may have included several cases where general stores were operating without active proprietors and hence were incurring somewhat higher salary and wage costs.

Average percentages for rentals were shown for only two sizes of business for 1944. These, amounting to 1.8 and 0.9 per cent of sales in the \$10,000 to \$20,000 and \$30,000 to \$50,000 sales sizes exhibited the usual pattern and decreased as the stores became larger. Advertising expenses were low for all seven sales and occupancy classes of general stores in 1944. In one case the ratio was less than 0.1 per cent of sales and hence was too small to report while in five others it averaged only 0.1 and in the seventh it amounted to only 0.2 per cent of sales.

Depreciation percentages declined as stores became larger

Depreciation allowances in dollar figures are of course relatively fixed in nature because they are based upon the value of the physical assets such as buildings, fixtures and equipment employed in the business. These assets are generally used more intensively as sales increase and hence in percentage terms the allowances are spread more thinly over the larger volume of sales. It is therefore not surprising to find that the average ratios for depreciation for the five classes of owned general stores were somewhat lower for the bigger establishments in 1944, the percentages dropping from 1.1 per cent in the less than \$10,000 sales size to 0.4 per cent of sales for stores with sales of \$50,000 or over. By type of occupancy, the percentages for depreciation are usually higher for the owned stores. In the two cases shown in the table, however, the relationship is reversed, the averages standing at 0.7 and 0.8 per cent for owned and rented stores in the \$10,000 to \$20,000, and at 0.5 and 0.8 per cent of sales in the \$30,000 to \$50,000 size of business. These may result from the presence of certain erratic experiences in the two groupings of stores but further studies are obviously required to establish accurate comparisons between owned and rented general stores.

Other operating expenses include such costs of doing business as supplies, communications, taxes other than income taxes, insurance, light, heat and power, repairs, bad debt losses, interest on borrowed money and sundry expenses. Some of these, such as supplies, communications, taxes, insurance, etc., were commonly experienced and therefore were probably included quite uniformly in the totals reported. Others, such as repairs,

interest on borrowed money, etc., may not have been encountered so generally and probably were not so consistently included in the dollar totals. With only one exception, nevertheless, the percentages were lower for the larger sizes of country general stores than for the smaller ones in 1944. For owned establishments the series started with the average of 4.8 per cent of sales in the less than \$10,000 sales size, dropped to 3.8 in the next, rose rather sharply against the trend to 5.0 per cent in the \$20,000 to \$30,000 sales grouping and then receded to 3.7 and 3.5 per cent in the two largest sizes of business. In the case of the two averages for rented stores, the pattern is again apparent, the ratio dropping from 3.4 per cent in the \$10,000 to \$20,000, to 3.0 per cent for stores with sales between \$30,000 and \$50,000 in 1944. These percentages, it will also be observed, were somewhat lower than the averages of 3.8 and 3.7 per cent recorded by their owned counterparts in the same sizes of business a fact probably due to the higher content of such occupancy costs as taxes, repairs, etc., in the other expenses of the owned establishments.

Total expense ratios higher for the larger stores

Total operating expenses, summarizing the trends in the expenses just described, varied for the seven sales and occupancy classes of stores between 6.0 and 9.4 per cent of sales in 1944. By size of business the general trend was for the larger stores to have the higher rates of total expense, although the upward movement was quite irregular in nature. Thus moving from the smallest to the largest sizes of owned outlets, the ratio dropped from 7.9 per cent in the smallest to 6.0 per cent in the \$10,000 to \$20,000 sales size, increased to 7.8 per cent in the next, then declined to 7.4 per cent in the \$30,000 to \$50,000 grouping to rise finally to 8.5 per cent for stores having sales of \$50,000 or over. The sharp drop from 7.9 per cent in the smallest to 6.0 per cent in the next larger store size partly reflected the unusual drop in the payroll ratios and partly the decline in the ratios for other operating expenses, while the small decline from 7.8 to 7.4 per cent between the \$20,000 to \$30,000 and the \$30,000 to \$50,000 sales sizes was caused mainly by the decrease in the average for other operating expenses which more than offset the gain in the payroll ratios. These irregularities, however, would have ironed themselves out into progressively larger percentages if the five sizes of business had been reduced to three groupings for stores having sales of less than \$20,000, between \$20,000 and \$50,000 and over \$50,000 in the year under review.

The larger stores had the lower net earnings ratios

Proprietor's net earnings before income taxes and withdrawals include both the rewards for the operator's services and his returns in the form of net trading profits. So defined, net earnings as percentages of sales were for the most part smaller in the larger sizes of stores. For owned establishments this was due partly to the generally upward movement in the total expense percentages and partly to the fact that irregularities in the size-of-business pattern for these ratios were offset by opposing variations in the gross trading profit percentages. Thus net earnings dropped from 8.8 per cent in the smallest sales size to 7.8 per cent in the \$10,000 to \$20,000 sales class, flattened out at the lower figure of 6.8 per cent in the two larger groupings and receded finally to 5.9 per cent of sales for stores having

sales of \$50,000 or over. In the case of the two averages for rented general stores a similar trend is apparent, the net earnings percentage dropping from 9.1 per cent in the \$10,000 to \$20,000 store size to 6.4 per cent in the \$30,000 to \$50,000 sales category.

In spite of the downward trend in the ratios, however, the dollar averages for net earnings expanded steadily from the smaller to the larger sizes of general stores. Moving from the smallest to the largest sizes of owned establishments, the averages rose from \$550 per store in the less than \$10,000 sales grouping to \$1,226, \$1,682, \$2,790, and \$5,503 per outlet in the four larger sizes of business. The sharp gain in dollar net earnings between the two largest sales classes was due of course to the pronounced gain in sales volumes, for average sales per store rose from \$40,913 in the \$30,000 to \$50,000 to \$93,464 in the \$50,000 and over classification.

Operating Results of Continuing Stores in 1941 and 1944 Compared

Only 89 out of the 169 usable schedules received from country general stores co-operating in the recent survey of operating results gave figures for both 1941 and 1944. When these were sorted into the three enlarged sales classifications and then broken down between owned and rented establishments, however, only 3 schedules were included in the \$50,000 and over sales size for rented stores. Statistics are therefore presented in Table 2 for only five of the six sales and occupancy classes of stores. In three of these the samples are rather small with only 8, 10 and 11 reports forming the basis for the figures on operating results.

It is important to note that for Table 2 the schedules were assigned to their sales sizes for both 1941 and 1944 entirely on the basis of the sales reported for 1941 regardless of the dollar volumes they obtained in the later year. For Table 1, on the other hand, the schedules were classified into their sizes of business by the sales they gave for 1944. Resulting from this procedure, the averages appearing in Table 1 are not directly comparable with those given in Table 2 for the same year. This is because the schedules making up, for instance, the \$50,000 and over store size in Table 1 may, and probably do, differ somewhat from the individual reports included in the same sales grouping for 1944 in Table 2. Nevertheless, the method used in sorting the schedules for the latter table does permit the trends in operating results between the two years to be determined for identical and continuing stores. These trends, however, are not necessarily accurate indicators of the average experiences of all such stores because the samples are too small to enable this projection to be made.

Turning now to the statistics presented in that table, a glance at the sales totals is sufficient to indicate the marked increases which the continuing stores experienced between 1941 and 1944. These in fact amounted to about 48, 46 and 68 per cent over 1941 levels for the less than \$20,000, the \$20,000 to \$50,000 and the \$50,000 and over sales sizes of owned stores, and to about 62 and 28 per cent for the two smallest sizes of rented outlets. Such gains represented a total increase of 54 per cent for the owned and of 50 per cent for both owned and rented stores. Against these must be set the increase of 39 per cent shown in the Bureau's

indexes for a much larger sample of continuing general stores. It is obvious, therefore, that quite a number of stores reporting in the recent survey experienced sales gains considerably above many of those included in the Bureau's sample for monthly sales trends.

Inventory turnover was faster in 1944 than 1941

In view of the substantial gains in sales, it is not surprising to find that the reporting general stores turned over their average inventories of merchandise at considerably faster rates in the later year. This was true of all five of the sales and occupancy classes of stores. Thus for 1941 the five averages ranged between 2.4 and 3.6 times per year and for 1944 between the higher outside limits of 3.5 and 6.2 times per year. This upward shift in rates of stock turnover, however, was partly caused by changes in inventory positions. In the two smaller sizes of owned stores, average inventories per store at the end of 1944 were valued at 5 and 3 per cent higher than at the close of 1941 while in the largest a decrease of about 2 per cent was recorded. For rented establishments with sales of less than \$20,000, the average ending inventory was almost 7 per cent higher but in the \$20,000 to \$50,000 sales class a decrease of about 29 per cent occurred. The three increases were much smaller than the expansions in sales and like the declines in the other two sizes contributed to faster turnovers of average inventories in 1944. In summary, the five figures for average inventories ranged between \$3,943 and \$16,089 per store in 1941 against outside limits of \$3,758 and \$15,811 in the later period, and by size of business moved steadily higher in both years as the stores became larger.

Gross profit ratios averaged lower in 1944 for reporting stores

Gross trading profits as percentages of sales varied for the five sales and occupancy classes of stores between 14.4 and 19.0 per cent of sales in 1941 and between 14.7 and 19.2 per cent in 1944. The greatest changes between the two years occurred in the \$20,000 to \$50,000 grouping for rented stores and in the less than \$20,000 and the \$50,000 and over sales sizes for owned establishments where the ratios declined from 17.1 to 15.9 per cent, from 17.2 to 16.1 and from 16.0 to 15.0 per cent, respectively. In the other two categories, however, the average rates of gross trading profits remained virtually unchanged from their 1941 levels. These decreases are made all the more pointed by the fact that the reporting grocery and combination grocery and meat stores also experienced lower rates of gross profit in the more recent year. Nevertheless it would require a considerably larger number of reports to establish with finality the direction and extent of the trends here indicated.

Declines featured all of the five sets of percentage averages for total operating expenses, the contractions in four of them ranging between 0.9 and 1.8 percentage points and representing decreases varying between 10 and 19 per cent from the 1941 rates of total operating expenses. Overall the five series of ratios for total expenses ranged between outside limits of 8.4 and 10.2 per cent of sales in 1941 and between 6.9 and 8.6 per cent of sales in 1944. By size of business, moreover, the total expense percentages followed the usual pattern and were higher for the bigger stores in both years.

Higher net earnings percentages experienced in 1944

Incorporating the results of changes in the ratios for gross trading profits and total operating expenses, proprietor's net earnings before income taxes and withdrawals when expressed as percentages of sales were higher in three of the five groupings of stores in 1944 than in 1941. These gains were recorded by rented stores in the smallest, and by owned establishments in the \$20,000 to \$50,000 and \$50,000 and over sizes of business where the averages moved up from 10.5 to 12.3 per cent, from 5.7 to 6.2 per cent and from 5.8 to 6.6 per cent, respectively. For the other two classifications, however, the ratios were practically unchanged from their previous levels. In summary, the five net earning percentages varied between 5.7 and 10.5 per cent of sales in the earlier and between 6.2 and 12.3 per cent in the later period. When expressed in dollar figures average earnings per store were all much higher in 1944, and resulted mainly from the much larger sales volumes which were experienced in the more recent period. In this regard, the averages for owned stores ranged upward by size of business from \$993 to \$3,921 per store for 1941, and from \$1,442 to \$7,456 per store for 1944.

Payroll percentages tended to remain fairly stable

Among the several types of operating expenses, the ratios for employees' salaries and wages for the most part showed little change from 1941 levels. The experiences of owned stores with 1941 sales of \$50,000 or more, however, differed somewhat from the general trend because their payroll ratio declined from 5.6 per cent in 1941 to 4.8 per cent in the later period. Overall, the percentages ranged between 1.5 and 5.6 per cent in 1941 and between 1.7 and 4.8 per cent of sales in 1944. In all cases, however, the substantial increases in sales between the two years meant that the reporting stores were actually paying out considerably more in payroll in the later period. By size of business, the payroll ratios adhered to the usual pattern with the larger stores in both years having the higher rates of expenditure for salaries and wages.

Rentals amounted to 2.7 and 1.4 per cent of the sales of rented stores with sales of less than \$20,000 and \$20,000 to \$50,000 in 1941 and to 1.8 and 1.0 per cent of dollar volumes for these two size groupings in 1944. This, of course, is a natural trend for rentals are fixed dollar outlays and hence formed smaller fractions of the expanded sales volumes which were obtained in the more recent period.

Advertising costs as percentages were very small in 1941 and 1944 with the averages ranging between less than 0.1 and 0.2 per cent of sales in both periods. Depreciation allowances, on the other hand, were somewhat greater, the five averages varying between 0.6 and 1.1 per cent of sales in 1941 against outside limits of 0.3 and 0.9 per cent of sales in 1944 and were all somewhat lower in the more recent year. In view of the increases in sales which the reporting general stores experienced, however, it is probable that for many of them the dollar allowances were actually greater in 1944. By size of business the depreciation expense percentages were smaller in both years for the bigger retail outlets. The depreciation averages for the owned general stores, moreover, were larger than those of

their rented counterparts in three of the four cases in which comparisons can be made.

Other operating expenses, the category which includes all remaining costs of operation, were lower as percentages of sales in three of the five groupings of general stores in 1944 and virtually unchanged in the two other cases. These averages ranged between 3.0 and 5.4 per cent of sales in the former year and between 2.8 and 4.5 per cent in the later period. By size of business the ratios in both years decreased as the store sizes became larger. Reflecting the higher content of occupancy costs, the other expense ratios for owned stores were higher in both years than those which the rented establishments experienced.

Table 1.--Country General Stores - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944.

Item	AMOUNT OF ANNUAL SALES			
	Less than \$10,000		\$10,000 to \$19,999	
	Owmed	Rented	Owmed	Rented
GENERAL INFORMATION				
1. Number of Stores Reporting	27		22	15
2. Total Sales	\$169,513		\$345,541	\$234,891
3. Average Sales Per Store	6,278		15,706	15,659
Total Inventory Reported,		SAMPLE		
4. Beginning of Year	53,620		64,742	45,141
5. End of Year	56,522	TOO	72,141	51,500
6. Average for Year	55,071		68,442	48,321
Average Inventory Per Store,		SMALL		
7. End of Year	2,093		3,279	3,433
8. Cost of Goods Sold	141,204		297,856	195,194
9. Stock Turnover (times per year) ..	2.6		4.4	4.0
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)				
10. Gross Trading Profit	16.7		13.8	16.9
Operating Expenses:				
11. Employees' Salaries and Wages ..	2.0		1.4	1.7
12. Rent	-	SAMPLE	-	1.8
13. Advertising	(a)		0.1	0.1
14. Depreciation	1.1	TOO	0.7	0.8
15. Other Operating Expenses	4.8		3.8	3.4
		SMALL		
16. Total Operating Expenses	7.9		6.0	7.8
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	8.8		7.8	9.1
18. Average Proprietor's Net Earnings Per Store	\$550		\$1,326	\$1,426

(a) Less than .05 per cent.

Table 1.--Country General Stores - Operating Results for Stores Classified
According to 1944 Sales Size and Occupancy Basis, Canada, 1944 (Cont.)

AMOUNT OF ANNUAL SALES					
\$20,000 to \$29,999		\$30,000 to \$49,999		\$50,000 and Over	
Owned	Rented	Owned	Rented	Owned	Rented

GENERAL INFORMATION

25		24	17	29		1.
\$619,418		\$981,906	\$660,739	\$2,710,445		2.
24,777		40,913	38,867	93,464		3.
	SAMPLE				SAMPLE	
126,104		160,705	118,932	429,370		4.
130,987	TOO	172,826	124,992	458,531	TOO	5.
128,546		166,766	121,962	443,951		6.
	SMALL				SMALL	
5,239		7,201	7,352	15,811		7.
528,983		842,475	556,342	2,320,141		8.
4.1		5.1	4.6	5.2		9.

PROFIT AND LOSS DATA

(Items Expressed As Percentages of Sales)

14.6		14.2	15.8	14.4		10.
2.1		3.1	4.5	4.5		11.
-	SAMPLE	-	0.9	-	SAMPLE	12.
0.1		0.1	0.2	0.1		13.
0.6	TOO	0.5	0.8	0.4	TOO	14.
5.0		3.7	3.0	3.5		15.
	SMALL				SMALL	
7.8		7.4	9.4	8.5		16.
6.8		6.8	6.4	5.9		17.
\$1,682		\$2,790	\$2,475	\$5,503		18.

Table 2.--Country General Stores-- Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944.

Item	AMOUNT OF ANNUAL SALES			
	Less than \$20,000			
	1 9 4 1		1 9 4 4	
	Owned	Rented	Owned	Rented
GENERAL INFORMATION				
1. Number of Stores Reporting	32	8	32	8
2. Total Sales	\$359,016	\$24,109	\$530,403	\$136,150
3. Average Sales Per Store	11,219	10,514	16,575	17,019
Total Inventory Reported,				
4. Beginning of Year	118,127	26,489	124,432	25,307
5. End of Year	126,184	28,231	133,000	30,062
6. Average for Year	122,156	27,360	128,716	27,685
Average Inventory Per Store,				
7. End of Year	3,943	5,529	4,156	3,758
8. Cost of Goods Sold	297,265	68,128	445,008	110,009
9. Stock Turnover (times per year) ..	2.4	2.5	3.5	4.0
PROFIT AND LOSS DATA				
(Items Expressed As Percentages of Sales)				
10. Gross Trading Profit	17.2	19.0	16.1	19.2
Operating Expenses:				
11. Employees' Salaries and Wages .	1.8	1.5	1.9	1.7
12. Rent	-	2.7	-	1.8
13. Advertising	0.2	(a)	0.1	(a)
14. Depreciation	1.0	1.1	0.9	0.6
15. Other Operating Expenses	5.4	3.2	4.5	2.8
16. Total Operating Expenses	8.4	8.5	7.4	6.9
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ..	8.8	10.5	8.7	12.3
18. Average Proprietor's Net Earn- ings Per Store	\$993	\$1,106	\$1,442	\$2,092

(a) Less than .05 per cent.

Table 2.--Country General Stores - Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944 (Cont.)

AMOUNT OF ANNUAL SALES							
\$20,000 - \$49,999				\$50,000 and Over			
1 9 4 1		1 9 4 4		1 9 4 1		1 9 4 4	
Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented
GENERAL INFORMATION							
25	11	25	11	10		10	1
\$791,534	\$337,468	\$1,152,243	\$431,021	\$668,740		\$1,121,345	2.
31,661	30,679	46,090	39,184	66,874		112,135	3.
					SAMPLE		
195,689	86,465	202,356	82,772	148,275		150,793	4.
211,551	125,058	218,856	89,405	160,889	TOO	158,111	5.
203,620	105,762	210,596	86,089	154,582		154,452	6.
					SMALL		
8,462	11,369	8,754	8,128	16,089		15,811	7.
677,553	279,761	982,863	362,489	561,742		953,143	8.
3.3	2.6	4.7	4.2	3.6		6.2	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)							
14.4	17.1	14.7	15.9	16.0		15.0	10.
3.4	4.3	3.6	4.2	5.6		4.8	11.
-	1.4	-	1.0	-	SAMPLE	-	12.
0.1	0.2	0.1	0.2	0.1		0.1	13.
0.8	0.6	0.6	0.3	0.6	TOO	0.4	14.
4.4	3.0	4.2	2.9	3.9		3.1	15.
					SMALL		
8.7	9.5	8.5	8.6	10.2		8.4	16.
5.7	7.6	6.2	7.3	5.8		6.6	17.
\$1,809	\$2,342	\$2,876	\$2,847	\$3,921		\$7,456	18.

PART III - GENERAL MERCHANDISE AND DRY GOODS STORES

Trends by Size of Business, 1944

General merchandise and dry goods stores, according to the definition used in the 1941 Census of Merchandising, comprises two different types of business. One represents stores located in places of 2,000 population or over and selling a general line of goods which usually includes food products. Such establishments would be classed as country general stores if they were situated in places having less than 2,000 persons. The second type consists of a number of stores specializing in the sale of piece goods.

As a further description, the percentage distribution of the sales of general merchandise stores reporting their sales by commodities in the 1941 Census may be of interest. Dry goods and notions comprising piece goods, bedding and house linens and notions and smallwares bulked heaviest with 29 per cent of their total sales. Food products were also important at 17.3 per cent of sales while household supplies formed 1.5 and tobacco products 1.1 per cent of total dollar volume. Women's, misses' and children's apparel equalled the 17.3 per cent recorded for food products and this was followed by men's and boys' clothing at 8.3 and by footwear at 2.7 per cent of total sales. House furnishings also made an important contribution which amounted to 5.4 per cent of the total trade. The remaining 17.4 per cent was spread over a wide range of goods, including hardware at 2.5 per cent; fuel at 1.6 per cent; furniture, 1.5 per cent; paints and varnishes, 0.8 per cent; radios and electrical appliances and supplies, 0.6 per cent, and miscellaneous merchandise at 10.4 per cent of the total sales so analyzed.

Goods sold by country general and general merchandise stores

Since both country general and general merchandise and dry goods stores handle such a diversity of merchandise a comparison of the commodity distributions of their sales may be informative. Country general stores situated in places of less than 2,000 population tend naturally to concentrate more on the staple lines of goods required by their farm and other rural customers. Food products, household supplies and tobaccos therefore bulked heavier, forming about 43, 3 and 4 per cent of their sales against corresponding figures of 17, 2 and 1 per cent for general merchandise stores located in the larger centers. Footwear made up 5 per cent of the dollar turnover of the country stores and only 3 per cent in the sales volume of the general merchandise establishments. Similarly, hardware and paints comprised 5 and 2 per cent of country general store sales against 3 and slightly less than 1 per cent of the trade of their more urban counterparts. Gasoline and its related products, and hay, straw, grain and feed at 6 and 4 per cent of the sales of the country general outlets, however, were virtually unrepresented in the sales of the general merchandise stores.

The general merchandise stores, on the other hand, concentrated much more on selling apparel and other lines of shopping goods to their more urban customers in 1941. The biggest difference appeared in dry goods

and notions which made up 29 per cent of their sales against only 4 per cent for country general stores. Women's, misses' and children's clothing came next at 17 per cent in contrast to 4 per cent for the more rural establishments. House furnishings came third at 5 per cent against less than 1 per cent for the country stores. The sale of men's and boys' apparel items was about the same for each kind of store at 8 per cent of sales but the types of merchandise probably differed in nature and price to some extent.

Turning now to the table of statistics, a total of 170 unincorporated general merchandise and dry goods stores co-operated in the recent survey by returning usable reports on their operating results for 1944. These were sorted into five sizes of business for stores with sales of less than \$10,000, with sales between \$10,000 and \$20,000, \$20,000 and \$30,000, \$30,000 and \$50,000, and for establishments having sales of \$50,000 or over. When such groupings were divided by types of occupancy between owned and rented stores, however, only 2 reports for owned establishments were included in the \$10,000 to \$20,000 store size. No averages were therefore shown for that classification. The samples were also quite small in the other four classes of owned stores with the numbers ranging between 6 and 12 reports; the results for these sizes should be treated with some caution.

Inventory turnover higher for the larger stores

Average rates of stock turnover for the nine sales and occupancy classes of general merchandise stores varied between a low of 1.4 and a high of 4.3 times in 1944. With but two exceptions the larger sizes of stores turned over their average inventories somewhat faster than the smaller ones. This of course was a natural result for once balanced stocks of goods were established, the inventories could support, with only moderate increases, proportionately larger volumes of sales. In illustrating this trend the stock turnover ratios for owned stores moved up from 1.4 times in the less than \$10,000 to 2.7 and 4.3 times in the \$20,000 to \$30,000 and the \$30,000 to \$50,000 sales sizes to decline slightly to 4.1 times in the \$50,000 and over sales grouping. For rented stores the averages expanded from 2.3 in the smallest to 3.1, 2.8, 3.8 and 4.0 times in the four larger sizes of business. In relation to the country general stores, however, the general merchandise outlets had lower rates of stock turnover in all six of the comparable sales and occupancy groupings, a reflection of the smaller proportions of the fast-selling food, household supply and tobacco products which they carried.

Because of the fairly low repeat demand and the style, price and size factors which featured many of the products they sold, the general merchandise stores apparently found it necessary to carry substantial quantities of goods in stock. Even the owned and rented stores with sales of less than \$10,000 on average had inventories amounting to \$2,737 and \$1,812 per outlet at the close of 1944. From that point the values increased steadily to \$7,244 and \$7,117 per owned and rented establishment in the \$30,000 to \$50,000 size and to \$18,790 and \$15,329 per outlet for stores with sales of \$50,000 or over. The sharp increases between the two largest groupings were due mainly to the considerable expansions in

sales because owned and rented stores in the \$30,000 to \$50,000 category had average sales of \$36,638 and \$38,270 per outlet against averages of \$105,471 and \$84,174 per store in the largest size of business. The average ending inventories of these stores, moreover, were higher than those of similarly-sized country general stores in five of the six categories in which comparisons can be made, a fact again explainable by the differences in the commodity make-up of their sales.

Changes in inventory levels between the beginning and the end of 1944 were somewhat mixed for the nine groupings of stores. Decreases from beginning figures predominated among the four sizes of owned establishments where three of them in fact showed declines of about 4 per cent against one which recorded an increase of about 4 per cent. Gains, on the other hand, outnumbered declines among the five classes of rented general merchandise stores where increases of 8, 20 and 3 per cent were scored in the three smaller sizes of stores against contractions of 10 and 2 per cent in the two largest classifications. Overall, the four categories of owned stores experienced an inventory decline of about 3 and the five groupings of rented outlets an increase of about 1 per cent from beginning valuations.

Smallest stores obtained highest gross profit ratios

Gross trading profits in eight of the nine sales and occupancy groupings ranged between 24.2 and 30.3 per cent of sales in 1944. In one of them, however, the unusually low figure of 16.6 per cent was recorded. This average probably reflects the presence of a number of erratic conditions in the grouping such as the inclusion of stores with relatively high proportions of food sales, of stores experiencing inventory losses, etc.

By size of business, the highest average rates of gross trading profit were secured by the smallest stores, the average for the owned ones amounting to 30.3 and for the rented ones to 30.1 per cent of sales. From these points, and omitting from the comparison the abnormally low ratio of 16.6 per cent secured by owned establishments in the \$30,000 to \$50,000 sales grouping, the averages for owned outlets dropped to 28.1 and 25.4 per cent in the \$20,000 to \$30,000 and the \$50,000 and over sales sizes, while for rented ones the ratios stood at the lower figures of 25.6, 26.3, 24.2 and 27.1 of sales in the four larger classifications. There was thus no clear tendency for the percentages to vary either directly or indirectly with amount of sales made. In comparison with country general stores, the general merchandise outlets had higher rates of gross profit in all six of the corresponding groupings. This was probably due mainly to differences in the commodity composition of their sales for the general merchandise stores sold larger amounts of apparel and dry goods items on which the mark ups were generally higher than those which food products carried.

Payroll ratios higher for the larger sizes of stores

Among the operating expenses, the nine averages for employees' salaries and wages varied between 1.4 and 9.4 per cent of sales in 1944. With but two exceptions the larger sizes of stores had the higher payroll

percentages, the ratios for the four groupings of owned establishments increasing from 1.4 per cent in the less than \$10,000 to 9.4 per cent in the \$50,000 and over sales size, and those for the five classes of rented outlets from 3.0 to 8.2 per cent. This upward trend was the natural result of changes in size for as the stores became larger their proprietors accounted for smaller shares of the enlarged work and hence found it necessary to add to their sales staffs to handle the greater selling and other activities of their businesses. Compared with the experiences of the reporting country general stores, the general merchandise outlets had higher payroll percentages in all but one of the six corresponding classifications. These differences probably resulted principally from the greater amount of time required to handle and sell the larger amounts of shopping and less staple lines of goods which the general merchandise stores usually carried, but the fact that they were located in the larger centers of population could also have been partially responsible.

Average rental ratios generally lower for the larger stores

Rentals as percentages of sales varied for the five sizes of business between 1.8 and 4.2 per cent of reported dollar volumes. These generally followed the usual pattern and were lower for the larger establishments, the ratios dropping from 4.2 in the smallest to 2.6 per cent in each of the next two larger sales groupings, to 1.8 per cent in the \$30,000 to \$50,000 sales class and then rising slightly to 2.3 per cent for stores with 1944 sales of \$50,000 or more. Comparisons with rented country general stores, however, can be made for only two store sizes. In these the general merchandise outlets had the higher rates of rental expense, a fact which probably reflects the influence of the larger sizes of locality upon their rental costs.

Advertising expense ratios for the nine sales and occupancy groupings of general merchandise stores ranged between 0.1 and 0.6 per cent of sales in 1944. By size of business the movement was quite erratic, there being no clearly marked tendency for the larger stores to have either higher or lower expense percentages for publicity. In comparison with country general stores, however, the general merchandise outlets had higher advertising expense ratios in four of the six comparable groupings while in the other two they were the same as those recorded by the country stores.

Depreciation and other expense ratios also averaged lower

Depreciation allowances on the fixed assets of the reporting general merchandise stores when expressed as percentages of their sales were generally lower for the larger sizes of business. For owned establishments the four ratios declined from 1.5 per cent in the less than \$10,000 to 0.7 per cent in the \$50,000 and over store size while for the five sizes of rented stores the averages declined from 0.7 to 0.4 per cent. This downward trend is a reflection of the higher investment in fixed store assets in relation to the sales volume which the smaller outlets obtained. Due to their greater investments in buildings and fixtures the depreciation expense percentages were naturally somewhat larger for those stores which owned their own premises. In comparison with the depreciation expense

percentages of their rural counterparts, however, no regular pattern was apparent for in three of the six corresponding groupings the general merchandise stores had the higher ratios while in the other three they were somewhat lower.

All other operating expenses including supplies, communications, taxes other than income taxes, insurance, light, heat and power, repairs, interest on borrowed money, etc., were grouped under one heading. Some of these, of course, were commonly experienced and therefore quite uniformly reported while others may not have been so generally encountered nor so consistently included. Nevertheless, the ratios for these residual expenses were consistently lower in the larger sizes of general merchandise stores, a trend probably resulting from the inclusion of various items of fixed costs which vary inversely with sales. Thus for owned establishments the ratios ranged downward from 7.4 per cent of sales in the smallest to 3.9 per cent in the largest store size and for rented stores from 6.8 to 3.7 per cent of sales. Against their rented counterparts the four groupings of owned stores had the larger averages for other operating expenses, a reflection probably of the higher residual occupancy costs which the latter type of outlets experienced. In comparison with the reporting country general stores, moreover, the general merchandise establishments had the larger percentages for other operating expenses in all six of the classifications where comparisons can be made.

Total expenses ratios were irregularly higher

Summarizing the expenses just described, the nine averages for total operating expenses varied between 9.5 and 15.2 per cent of sales in 1944. Going from the smallest to the largest sizes of stores the trend in these percentages was highly irregular, the averages for owned outlets moving from 10.6 per cent in the less than \$10,000 to 11.7, 9.5 and 14.2 per cent in the three larger sales sizes, and for rented ones from 14.9 per cent in the smallest to 11.3, 14.5, 12.7 and 15.2 per cent in the bigger sizes of stores. Generally speaking, the larger sizes of unincorporated stores usually have the higher percentages for total operating expenses. Such a trend would have been apparent here if the five sizes had been combined into three groupings for stores having sales of less than \$20,000, between \$20,000 and \$50,000 and of \$50,000 or more. Reflecting the influences of factors already discussed the total expense ratios of the general merchandise outlets were all higher than the six corresponding averages obtained by the country general stores which reported their results for 1944.

Net earnings percentages were lower for bigger stores

Proprietor's net earnings before income taxes may be regarded as comprising two elements, - one consisting of the compensation for the operator's managerial services and the other representing his annual return in the form of net trading profits. Including these, the nine ratios for net earnings varied between extreme limits of 7.1 and 19.7 per cent of sales while the middle seven ranged between the narrower outside figures of 11.2 and 16.4 per cent in 1944. The larger sizes of stores tended to have the smaller rates of net earnings for the percentages moved irregularly downward from

19.7 in the smallest to 11.2 per cent in the largest of the four groupings of owned and from 15.2 to 11.9 per cent of sales for the five sizes of rented establishments. Resulting directly from their higher percentages of gross profit, moreover, the general merchandise stores obtained higher net earnings ratios than those which the six comparable groupings of country stores recorded in the year under review.

Actual dollar figures for net earnings per store were generally much higher for the larger than the smaller general merchandise stores. Among the four groupings of owned stores the averages moved upward from \$1,125 per store in the smallest to \$4,019 in the \$20,000 to \$30,000 store size from which it dropped to \$2,593 in the next and then jumped to \$11,762 per outlet in the largest sales grouping. For the five classes of rented stores, however, the averages increased steadily from \$862 per outlet in the smallest to \$2,016, \$2,779, \$4,397 and \$10,036 per store in the four larger sizes of establishments. The substantial gains between the two largest sizes of business were due of course to major expansions in the dollar volumes, the average sales of \$36,638 and \$38,270 per owned and rented store in the \$30,000 to \$50,000 sales size being greatly exceeded by the averages of \$105,471 and \$84,174 per owned and rented outlet in the largest size of business.

General Merchandise and Dry Goods Stores - Operating Results for Stores
Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944.

Item	AMOUNT OF ANNUAL SALES			
	Less than \$10,000		\$10,000 to \$19,999	
	Owned	Rented	Owned	Rented

GENERAL INFORMATION

1. Number of Stores Reporting	10	39		30
2. Total Sales	\$56,987	\$221,063		\$422,072
3. Average Sales Per Store	5,699	5,668		14,069
Total Inventory Reported,			SAMPLE	
4. Beginning of Year	28,537	65,432		91,870
5. End of Year	27,369	70,652	TOO	109,921
6. Average for Year	27,953	68,042		100,896
Average Inventory Per Store,			SMALL	
7. End of Year	2,737	1,812		3,664
8. Cost of Goods Sold	39,720	154,523		314,022
9. Stock Turnover (times per year) ..	1.4	2.3		3.1

PROFIT AND LOSS DATA
 (Items Expressed As Percentages of Sales)

10. Gross Trading Profit	30.3	30.1		25.6
Operating Expenses:				
11. Employees' Salaries and Wages ..	1.4	3.0		2.8
12. Rent	-	4.2	SAMPLE	2.6
13. Advertising	0.3	0.2		0.3
14. Depreciation	1.5	0.7	TOO	0.4
15. Other Operating Expenses	7.4	6.8		5.2
16. Total Operating Expenses	10.6	14.9	SMALL	11.3
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	19.7	15.2		14.3
18. Average Proprietor's Net Earn- ings Per Store	\$1,125	\$862		\$2,016

General Merchandise and Dry Goods Stores - Operating Results for Stores
Classified according to 1944 Sales Size and Occupancy Basis, Canada, 1944 (Cont.)

AMOUNT OF ANNUAL SALES					
\$20,000 to \$29,999		\$30,000 to \$49,999		\$50,000 and Over	
Owned	Rented	Owned	Rented	Owned	Rented

GENERAL INFORMATION

6	22	10	16	12	23	1.
\$147,452	\$519,472	\$366,376	\$612,322	\$1,265,650	\$1,935,995	2.
24,575	23,612	36,638	38,270	105,471	84,174	3.
40,600	133,051	69,779	127,260	236,184	359,900	4.
38,879	137,441	72,435	113,865	225,481	352,563	5.
39,740	135,246	71,107	120,563	230,833	356,232	6.
6,480	6,247	7,244	7,117	18,790	15,329	7.
106,018	382,851	305,558	464,140	944,175	1,411,340	8.
2.7	2.8	4.3	3.8	4.1	4.0	9.

PROFIT AND LOSS DATA

(Items Expressed As Percentages of Sales)

28.1	26.3	16.6	24.2	25.4	27.1	10.
5.7	6.3	4.5	6.4	9.4	8.2	11.
-	2.6	-	1.8	-	2.3	12.
0.1	0.6	0.1	0.4	0.2	0.6	13.
0.5	0.5	0.8	0.4	0.7	0.4	14.
5.4	4.5	4.1	3.7	3.9	3.7	15.
11.7	14.5	9.5	12.7	14.2	15.2	16.
16.4	11.8	7.1	11.5	11.2	11.9	17.
\$4,019	\$2,779	\$2,593	\$4,397	\$11,762	\$10,036	18.

Published by Authority of the Hon. James A. MacKINNON, M.P.,
Minister of Trade and Commerce

MERCHANDISING AND SERVICES STATISTICS

DOMINION BUREAU OF STATISTICS

OTTAWA, CANADA

OPERATING RESULTS

OF

COUNTRY GENERAL

AND

RETAIL DRY GOODS STORES

1945

BULLETIN NO 3

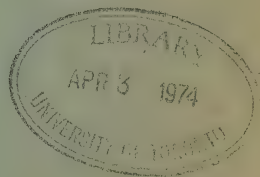


CANADA

JUNE, 1947

PRICE 25 CENTS

*Variety & general merchandise
stores (independent)
operating results*





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DEFINITIONS

NET SALES represent the real volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

GROSS TRADING PROFIT OR MARGIN is the difference between the cost of merchandise sold and the selling price. The cost of merchandise sold is calculated by adding the beginning inventory to net purchases and deducting ending inventory.

OPERATING EXPENSES are the amounts paid out for any and all expenses incurred in operating a business, except the cost of merchandise. They include:

Salaries and wages paid to employees before deduction of income taxes or unemployment insurance. Proprietors' salaries or withdrawals are not included.

Advertising

Store supplies used in the business during the year such as: wrapping paper, office supplies, gasoline and oil for delivery trucks.

Loss on bad debts in the year - amount written off less bad debts recovered.

Taxes and insurance - business, property and water taxes, licences including truck licences, insurance premiums carried for the protection of the business. Income taxes are not included.

Rentals - for premises used only in the business.

Heat, light and power used in the year.

Repairs and maintenance - incurred for the purpose of keeping fixed store assets in efficient operation, including delivery equipment.

Depreciation - allowances to cover decreases in the value of fixed store assets including delivery equipment.

All other expenses - telephone, telegraph, postage, bank charges, legal, collection and auditing fees, etc.

NET PROFIT is the difference between gross margin and total expenses, and includes proprietors' salaries and withdrawals.

STOCK TURNOVER is the number of times in a year that the merchandise is sold and replaced. The average of the beginning and year ending inventories is divided into the cost of merchandise.

CUSTOMERS' ACCOUNTS OUTSTANDING are all accounts receivable on the books at the end of the year.

DOMINION BUREAU OF STATISTICS

Dominion Statistician:

Herbert Marshall

Director, Division of Census of Industry and Merchandising: W. H. Losee

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C. H. McDonald

Series, 1945

16 - 7030

No. 13

OPERATING RESULTS OF RETAIL COUNTRY GENERAL AND DRY GOODS STORES, 1945

Introduction

This report is one of a series reviewing average operating results for 1945, and covers country general stores and dry goods stores. In 1944 a similar survey was carried out for a dual purpose; to provide an estimate of the contribution made to the national income by unincorporated retail stores, and to provide reliable statistics on operating costs in retail trade. The average results presented in this report were obtained from stores whose individual profits and expenses vary considerably. Therefore, if the results of an individual store do not coincide with the averages, it does not follow that the store is being operated inefficiently.

The tables, however, may assist the merchant in deciding where economies may be most effective and may indicate the need for additional expenditures in other phases of business operation to meet changing conditions. Repairs or replacements of fixed assets and equipment, not available during war years, may now become a necessity. The resuming of pre-war services such as deliveries and credit, may be necessary to keep up sales volume in face of otherwise declining sales. With the possibility of more competition, unstable prices and greater expense outlay, these basic operating ratios may be of use in planning for changed conditions in the retail field.

The ultimate objective of business is to realize a net profit on operations. This might be the first item of comparison an individual owner makes with his own results. If his net profit is greater than the average shown for his particular business in this report, he may gain further by item-by-item comparison of his operating costs with those in the tables. If his net profit is smaller than average, a careful check should be made on his different expense items, using the averages shown as a guide in determining which items require investigation. In this way improvement in gross margin or a lessening of expenses may be accomplished to result in a greater net profit.

The prospective new entrant may find much information useful in planning his inventory outlay, expected rate of stock turnover, and various expenses such as salaries, advertising, rentals and so on.

Definitions of the terms used in this report and the components of the different expense items are given on page 2. When making comparison with other results, allowance should be made for any difference in definitions. When making comparisons of present day results with this report, allowance should also be made for any economic changes which have occurred since 1945. Chain stores were not included in this survey.

SUMMARY

Some of the significant features in the operation of retail country general stores and dry goods stores in 1945 are noted below.

Country General Stores

1. The average country general store operated on a gross margin of 15.4 per cent of net sales, which was slightly greater than the 14.7 per cent margin in 1944. An increase in expenses as compared to 1944 resulted in a net profit, before deduction of proprietors' salaries and income taxes, very close to the 1944 ratio - 1945, 6.8 per cent; 1944, 6.6 per cent. (See table 1).
2. With the exception of the largest size store, net profits decreased in ratio to sales as business volume expanded. Gross profits were irregular in trend for the different size of business classes. Because of the difference in business volume, the dollar value of net earnings was much greater in the large stores.

The ratio of salaries and wages increased considerably with sales volume. In general, the other expense items showed diminishing ratios to net sales as the size of business increased. (See table 3, page 8).

3. Narrow gross margin and high ratio of salary expense to net sales characterized the "less profitable" group of stores. (See table 4, page 9).

Table 1. - Operating Results of Country General Stores, 1945
(With 1944 percentages for comparison)

Item	1945 (560 stores reporting)		1944 (169 stores reporting)
	Average dollar figures	Percentage of net sales	Percentage of net sales
	\$	%	%
Average net sales	42,492	100.0	100.0
Gross trading profit	6,546	15.4	14.7
Operating expenses:			
Employees' salaries	1,661	3.9	3.6
Advertising	66	0.1	0.1
Store supplies	321	0.8	4.6
Bad debts	110	0.3	
Occupancy expense	1,029	2.5	
All other expenses	445	1.0	8.1
Total operating expenses	3,632	8.6	
Net profits before deduction of proprietors' salaries and income tax	2,914	6.8	6.6

Dry Goods Stores

1. The average dry goods store realized a gross margin of 27.3 per cent in 1945. Expenses amounted to slightly over half of gross margin, leaving a net profit of 13.3 per cent before deduction of proprietors' salaries and income taxes. (See table 2).
2. Change in business volume did not cause any definite trend in either gross profit or net profit ratios to net sales. Salaries and wages paid employees showed the only definite trend; one of increasing ratio as sales volume rose. (See table 5, page 11).

TABLE 1 - Operating Results of Dry Goods Stores, 1945

Item	1945 (221 stores reporting)	
	Average dollar figures	Percentage of net sales
	\$	%
Average net sales	32,788	100.0
Gross trading profit	8,995	27.3
Operating expenses:		
Employees' salaries	2,164	6.5
Advertising	183	0.6
Store supplies	238	0.7
Bad debts	38	0.1
Occupancy expense	1,373	4.2
All other expenses	602	1.9
Total operating expenses	4,608	14.0
Net profits before deduction of proprietors' salaries and income tax	4,387	13.3

GENERAL DISCUSSION AND TABLES

Country General Stores

Stores classed as country general stores are those selling a general line of merchandise and situated in localities of less than 2,000 population. Food products bulk large in the commodity sales of these stores, but if more than 80 per cent of sales, the business was classified as a grocery store. Clothing, dry goods, shoes, hardware and tobacco products were the other important types of commodities handled.

A total of 560 usable reports were received from independent unincorporated stores. When classified by size of business and occupancy basis, there were only nine rented stores in the size class of less than \$10,000 annual net sales. Their results were not considered as representative and are not shown. A predominance of owned stores occurred in this classification.

Trends by Size of Business (Table 3, page 8)

Both gross and net profits decreased somewhat irregularly as a percentage of net sales from the small store to the middle size classes, then rose in the largest size group. This larger ratio of net profit in the largest size store results in a corresponding increase in actual dollar value of net earnings.

Like other retail businesses, salaries paid to employees in country general stores increased in percentage with volume of business while rent expense decreased. Other expenses remained fairly constant over the different size categories.

In general, stocks held at the end of 1945 exceeded in value the stocks held at the first of the year. The rate of stock turnover increased in proportion with sales volume from 2.9 times in the smallest store range to 6.0 times in the largest.

Comparison with Previous Years (Chart 1, page 7)

A survey on operating results in country general stores was taken in 1938 and another in 1944 which also included results for 1941. The size of business ranges were not always identical for the years compared, but all available comparisons are shown in chart 1. In most cases, net profits in 1945 were greater than in any previous year.

While gross margins have decreased since 1938, expense curtailment, especially in salaries, more than offset the smaller margins to result in greater net profit ratios in more recent years.

Comparison Between Less Profitable and More Profitable Stores
(See table 4, page 9)

In table 3, the operating results of country general stores are classified as below and above the average net profit. Comparisons are shown only where the sample number of stores was large enough in both profit segments. The detail of this table is reduced by the omission of items of little or no difference between the two degrees of profit.

The greatest difference between the ratios of less profitable and more profitable stores occurred in gross profit. A high salary ratio also contributed to the less profitable character of the below average store.

AMOUNT OF ANNUAL SALES

Table 3.--Country General Stores - Operating Results Classified According to Amount of Annual Sales and Occupancy Paris, Canada, 1945

Item	AMOUNT OF ANNUAL SALES											
	\$10,000-		\$20,000-		\$50,000-		\$100,000-		\$200,000-		\$500,000-	
	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented
Number of stores reporting	43		110	15	194	46	69	25	70,597	75,610	141,450	34
Average net sales per store	7,324		14,669	15,254	32,029	32,523	69	25	70,597	75,610	141,450	152,686
Average inventory beginning of year	2,018		3,185	2,636	6,171	6,255	11,107	13,946	21,351	21,026	21,351	21,026
Average inventory end of year	2,839		3,369	2,805	6,373	6,556	11,127	13,499	21,427	20,988	21,427	20,988
Average cost of goods sold, per store	6,137		12,479	12,942	27,304	27,769	60,136	64,226	118,418	125,715	118,418	125,715
Stock turnover (times per year)	2.9		3.8	4.8	4.4	4.3	5.4	4.7	5.5	6.0	5.5	6.0
Number of working proprietors	43	SAMPLE	117	17	220	54	89	32	44	26	44	26
PROFIT AND LOSS DATA												
(Items Expressed as Percentages of Net Sales)												
Gross trading profit	16.2		14.9	15.2	14.8	14.6	14.8	15.1	16.3	17.7	16.3	17.7
Operating expenses:												
Employees' salaries and wages	1.1		1.3	1.0	2.7	2.7	4.2	4.8	5.6	5.5	5.6	5.5
Advertising	0.1		0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.2	0.1	0.2
Store supplies	0.7		0.9	1.0	0.9	0.7	0.6	0.5	0.8	0.7	0.8	0.7
Bad debts	0.3		0.4	0.1	0.2	0.1	0.2	0.1	0.4	0.4	0.4	0.4
Taxes and insurance	1.3		1.0	0.7	0.8	0.6	0.7	0.6	0.6	0.4	0.6	0.4
Rent	-	T00	-	1.5	-	1.0	-	0.8	-	0.8	-	0.8
Heat, light, and power	1.6		1.1	1.3	0.7	0.7	0.5	0.5	0.4	0.3	0.4	0.3
Repairs and maintenance	0.6		0.6	0.4	0.6	0.3	0.5	0.2	0.5	0.3	0.5	0.3
Depreciation	0.7		0.7	0.2	0.6	0.4	0.5	0.3	0.5	0.2	0.5	0.2
All other expenses	1.1		1.0	1.2	1.2	0.8	1.1	0.8	1.0	0.9	1.0	0.9
Total operating expenses	7.5		7.1	7.5	7.8	7.4	8.5	8.8	9.9	9.7	9.9	9.7
Net profits before deduction of proprietors' salaries and income tax	8.7		7.8	7.7	7.0	7.2	6.3	6.3	6.4	8.0	6.4	8.0
Average net earnings per store	640	SMALL	1,143	1,171	2,223	2,344	4,486	4,769	9,004	12,119	9,004	12,119
Average customers' accounts outstanding	262		578	1,086	1,356	1,354	3,068	2,525	7,313	10,112	7,313	10,112

Table 4.--Country General Stores - Operating Results Classified According to Degree of Net Profit, 1945

Item	\$10,000 - \$19,999						\$20,000 - \$49,999					
	Owned			Owned			Owned			Owned		
	Below Average	Above Average	Average	Below Average	Above Average	Average	Below Average	Above Average	Average	Below Average	Above Average	Average
Number of stores reporting	22	21	55	55	55	101	101	93	23	23	23	23
Average net sales per store	7,472	7,169	14,968	14,370	14,370	33,357	33,357	50,586	34,208	34,208	30,838	30,838
Average cost of goods sold, per store	6,393	5,869	13,068	11,891	11,891	29,024	29,024	25,433	29,633	29,633	25,905	25,905
Number of working proprietors	22	21	56	61	61	112	112	108	27	27	27	27
(Items Expressed as Percentages of Net Sales)												
Gross trading profit	14.5	18.1	12.7	17.3	17.3	13.0	13.0	16.9	13.4	13.4	16.0	16.0
Employees' salaries and wages	1.4	0.7	1.6	1.1	1.1	3.1	3.1	2.3	3.7	3.7	1.7	1.7
Total operating expenses	8.4	6.5	7.5	6.8	6.8	8.3	8.3	7.3	8.6	8.6	6.1	6.1
Net profits before deduction of proprietors' salaries and income tax	6.1	11.6	5.2	10.5	10.5	4.7	4.7	9.6	4.8	4.8	9.9	9.9
Average net earnings per store	454	835	779	1,507	1,507	1,574	1,574	2,917	1,628	1,628	3,059	3,059
\$50,000 - \$99,999												
Item	Owned			Rented			\$100,000 and Over					
	Owned			Rented			Owned			Owned		
	Below Average	Above Average	Average	Below Average	Above Average	Average	Below Average	Above Average	Average	Below Average	Above Average	Average
Number of stores reporting	35	34	10	10	15	21	15	21	26	21	26	13
Average net sales per store	68,457	72,800	79,206	79,206	73,213	137,396	73,213	137,396	147,947	137,396	147,947	147,947
Average cost of goods sold, per store	59,431	60,961	68,551	68,551	61,276	118,944	61,276	118,944	117,567	118,944	117,567	117,567
Number of working proprietors	44	45	11	11	21	26	21	26	18	26	18	18
(Items Expressed as Percentages of Net Sales)												
Gross trading profit	13.2	16.4	13.3	13.3	16.3	13.4	13.4	13.4	20.5	13.4	20.5	20.5
Employees' salaries and wages	4.5	4.0	4.9	4.9	4.7	4.9	4.7	4.9	6.7	4.9	6.7	6.7
Total operating expenses	9.0	7.9	9.3	9.3	8.3	9.0	8.3	9.0	11.2	9.0	11.2	11.2
Net profits before deduction of proprietors' salaries and income tax	4.2	8.5	4.0	4.0	8.0	4.4	8.0	4.4	9.3	4.4	9.3	9.3
Average net earnings per store	2,841	6,179	3,172	3,172	5,834	6,029	5,834	6,029	13,811	6,029	13,811	13,811

Dry Goods Stores

Dry goods stores comprise those stores selling piece goods, notions, smallwares, and clothing. If the sale of clothing forms over 50 per cent of total sales the store is classified as such. A total of 221 independent unincorporated stores returned usable reports. All size and occupancy classes are shown except owned stores with annual net sales of \$100,000 or over where the number in the sample was only one. Comparable figures for previous years are not available.

Trends by Size of Business (Table 5, page 11)

Both gross and net profits formed an irregular pattern in ratio to net sales as the volume of business increased. This may have been due to a variation in the commodity composition of the reporting stores in the different size brackets. While salaries and wages paid to employees increased in ratio with sales volume, the remaining expense items showed no regular trend.

Stocks on hand at the end of 1945 were greater than at the beginning of the year in five of the nine classes shown. The stock turnover rate increased consistently with sales volume from 1.6 times in the smallest size range to 4.2 times in the largest.

Published by Authority of the Rt. Hon. C. D. Howe, M.P.,
Minister of Trade and Commerce

Canada

DOMINION BUREAU OF STATISTICS

MERCHANDISING AND SERVICES STATISTICS

OTTAWA, CANADA

OPERATING RESULTS

OF

COUNTRY GENERAL

AND

RETAIL DRY GOODS STORES

1946

Variety and General

Stores (Independent)

BULLETIN NO. 3

Canada

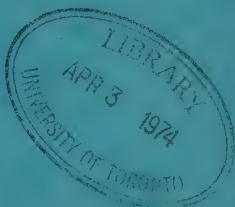


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DEFINITIONS.....

NET SALES represent the real volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

GROSS MARGIN is the difference between the cost of merchandise sold and the selling price. The cost of merchandise sold is calculated by adding the beginning inventory to net purchases and deducting the ending inventory.

OPERATING EXPENSES are the amounts paid out for any and all expenses incurred in the operation of a business, except the cost of merchandise. These include:

Salaries and wages - paid to employees before deduction of income taxes or unemployment insurance. Proprietors' salaries or withdrawals are included in Net Profit.

Advertising

Store supplies - used in the business during the year - wrapping paper, office supplies, gasoline and oil for delivery trucks.

Loss on bad debts - during the year - amount written off less debts which are recovered.

Taxes and Insurance - business, property and water taxes, licences including truck licences, and insurance premiums carried for the protection of the business. Income taxes and other taxes collected for remittance to governmental bodies are not included.

Rentals - monies paid for premises used only in the business.

Heat, light and power expenses - amount paid for these used during the year.

Repairs and maintenance - incurred for the purposes of keeping fixed store assets, including delivery equipment, operating efficiently.

Depreciation - allowances to cover decreases in the value of fixed store assets, including delivery equipment.

Occupancy expense - comprises taxes and insurance, rent, heat, light and power, repairs and maintenance, and depreciation.

Other expenses - telephone, telegraph, postage, bank charges, legal fees, collection and auditing fees, etc.

NET PROFIT is the difference between gross margin and total expenses, and includes proprietors' salaries and withdrawals.

STOCK TURNOVER is the number of times in a year that the merchandise is sold and replaced. The average of the beginning and year ending inventories is divided into the cost of merchandise.

DOMINION BUREAU OF STATISTICS
MERCHANDISING AND SERVICES STATISTICS
OTTAWA

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Series, 1946
No. 14

16-7030

OPERATING RESULTS OF COUNTRY GENERAL AND RETAIL DRY GOODS STORES

INTRODUCTION

The operating results of country general stores and dry goods stores are presented in this report, which continues the series of bulletins published in 1944 and 1945. The survey is based upon operating statements contributed by a sample of independent unincorporated firms throughout the country in these two kinds of business.

Results of earlier studies are compared with those of 1946. Tables and charts clarify and facilitate understanding of the text. It is hoped that merchants, students and others will consult these reports as sources of reference and information.

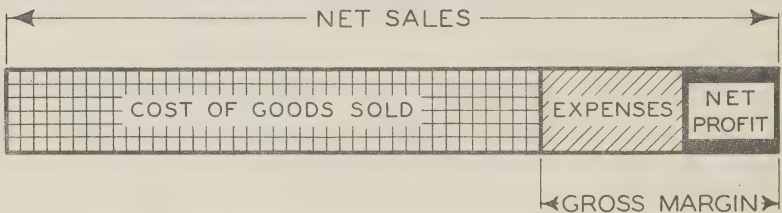
Once each year, at least, the merchant must come to grips with the problem of reviewing his operations, and calculating his expenses and profits. At the same time he may make plans for the coming months, applying his knowledge, experience, and personal observations to increase the efficiency of his business. This bulletin has been prepared for the purpose of augmenting the merchant's experience with data which describe the operations of his own type and size of business.

Our studies do not attempt to deal with such matters as store layout, advertising display, and salesmanship, which may be called methods of operation. The emphasis here is upon operating results, comparisons of profit and loss statements and their component parts.

The necessity of maintaining some orderly system of book-keeping cannot be over-emphasized. If some method of current record keeping is not employed, it is difficult to compare individual operations with average experience as shown in this study. It is essential that the meanings of terms be checked in such comparisons. For this purpose a list of definitions has been inserted at the beginning of this bulletin.

The component parts of operating ratios are graphically portrayed in the following formula and bar chart:

$$\text{NET SALES} = \text{COST OF GOODS SOLD} + \text{GROSS MARGIN}$$



$$\text{GROSS MARGIN} = \text{EXPENSES} + \text{NET PROFIT}$$

SUMMARY

COUNTRY GENERAL STORES

1. On the average, country general stores realized a gross margin of 15.5 per cent in 1946, altered by only one point from the 1945 ratio of 15.4 per cent. An increase in operating expenses, particularly salaries paid to employees, left a net profit of 6.6 per cent, a slightly smaller ratio than that obtained in the previous year and the same as the 1944 figure. (See Table 1, below).
2. Gross profits in 1946, as percentages of net sales, were irregular in trend over the different size-of-business classes, but were lowest in the middle size groups. In common with most of the retail trade, employees' salaries advanced in proportion with increased volume of business from 1.8 per cent to 6.6 per cent in the largest stores. The rate of stock turnover increased from 2.7 times per year in the smallest size-group of stores to 5.3 times in the largest. (See Table 3, page 10).
3. Net profits decreased from 9.2 per cent of net sales in owned stores with sales less than \$10,000 to 5.5 per cent in stores with sales over \$100,000. This lesser ratio in the larger class, however, represented greater dollar volume of net profits per store. (See Table 3, page 10).

TABLE 1. - OPERATING RESULTS OF COUNTRY GENERAL STORES - 1944, 1945, 1946

Item.	1944	1945	1946
Number of stores reporting	169	560	607
Average net sales per store \$	36,462	42,492	47,764
Gross margin	14.7	15.4	15.5
Operating expenses:			
Employees' salaries and wages ...	3.6	3.9	4.3
Advertising		0.1	0.1
Store supplies		0.8	0.7
Bad debts	} 4.5	0.3	0.3
Occupancy expense		2.5	2.5
All other expenses		1.0	1.0
Total operating expenses	8.1	8.6	8.9
Net profits before deduction of proprietors' salaries and income tax	6.6	6.8	6.6

(Items expressed as percentages of net sales)

DRY GOODS STORES

1. An average gross profit or margin of 25.8 per cent was realized by independent retail dry goods stores in 1946, somewhat lower than the 27.3 per cent obtained in 1945. Although expenses were reduced from the previous year, net profit was also lower than that for 1945- 12.5 per cent in 1946 as compared to 13.3 per cent in 1945. (See Table 2, below).
2. Little change was shown in gross and net profits over the size-of-business groups except in the smallest class where the ratios were somewhat greater. Salaries paid to employees as a proportion of net sales increased with sales volume and stock turnover was more frequent in the larger stores. The inventory position was considerably better at the end of the year than at the beginning. (See Table 4, page 12).

TABLE 2. - OPERATING RESULTS OF RETAIL DRY GOODS STORES - 1945, 1946

Item	1945	1946
Number of stores reporting	221	243
Average net sales per store \$	32,788	37,204
Gross margin	27.3	25.8
Operating expenses:		
Employees' salaries and wages	6.5	6.3
Advertising	0.6	0.6
Store supplies	0.7	0.7
Bad debts	0.1	0.1
Occupancy expense	4.2	3.7
All other expenses	1.9	1.9
Total operating expenses	14.0	13.3
Net profits before deduction of proprietors' salaries and income tax	13.3	12.5

(Items expressed as percentages of net sales)

OPERATIONS OF COUNTRY GENERAL STORES 1938 TO 1946 COMPARED

COUNTRY GENERAL STORES

Gross profit or margin decreased from 16.1 per cent of net sales in 1938 to 14.7 per cent in 1944 and has risen since then to 15.4 and 15.5 per cent in 1945 and 1946 respectively. Net profits were lowest in 1938 at 4.3 per cent, and changed little between 1941 and 1946, ranging between 6.6 and 6.8 per cent of net sales.

The average sales of the sample stores ranged from \$37,714 in 1938 to \$47,764 in 1946 with 1941 the low point at \$27,194. Beginning inventories expressed as percentages of net sales declined from 25.8 per cent in 1938 to 16.7 in 1946. Stocks held at the end of the year declined in ratio to sales from 25.4 per cent in 1938 to 17.7 per cent in 1945 and rose to 19.4 per cent at the end of 1946. The low level in stock-sales ratio was at the beginning of 1946.

The rate of stock turnover rose from 3.3 times a year in 1938 and 3.4 times in 1941 to 4.7 and 4.8 times in the later war years. This was no doubt due to a greater demand for merchandise which was in more limited supply than in earlier years. The comparison of these main items in the operation of country general stores, is shown in the following table. Comparable information concerning profits and expenses by size of business is illustrated in the chart on page 9.

COMPARISON OF MAIN ITEMS OF THE PROFIT AND LOSS STATEMENT OF COUNTRY GENERAL STORES - 1938, 1941, 1944, 1945, 1946

Year	Average sales per store	Beginning inventory % of net sales	Ending inventory % of net sales	Stock turnover times per year	Gross margin	Net profit
	\$				%	%
1938 .	37,714	25.8	25.4	3.3	16.1	4.3
1941 .	27,194	24.9	24.2	3.4	16.0	6.7
1944 .	36,462	17.6	18.9	4.7	14.7	6.6
1945 .	42,492	17.4	17.7	4.8	15.4	6.8
1946 .	47,764	16.7	19.4	4.7	15.5	6.6

DRY GOODS STORES

No comparable figures on dry goods stores are available prior to 1945. The main items for 1945 and 1946 are shown in Table 2, page 6.

GENERAL DISCUSSION TABLES, AND CHARTS

1. COUNTRY GENERAL STORES

Stores classed as country general stores are those carrying a general line of merchandise and situated in localities of less than 2,000 population. Food products bulk large in the commodity sales of these stores, but if more than 80 per cent, the business was classed as a food store. Other commodities generally handled are clothing, dry goods, shoes, hardware and tobacco products.

When the 607 usable returns were classified by size of business, there were only five in the rented category with sales less than \$10,000. The results from this small coverage were not considered as representative and are therefore not shown.

Trends by Size of Business (Table 3, page 10)

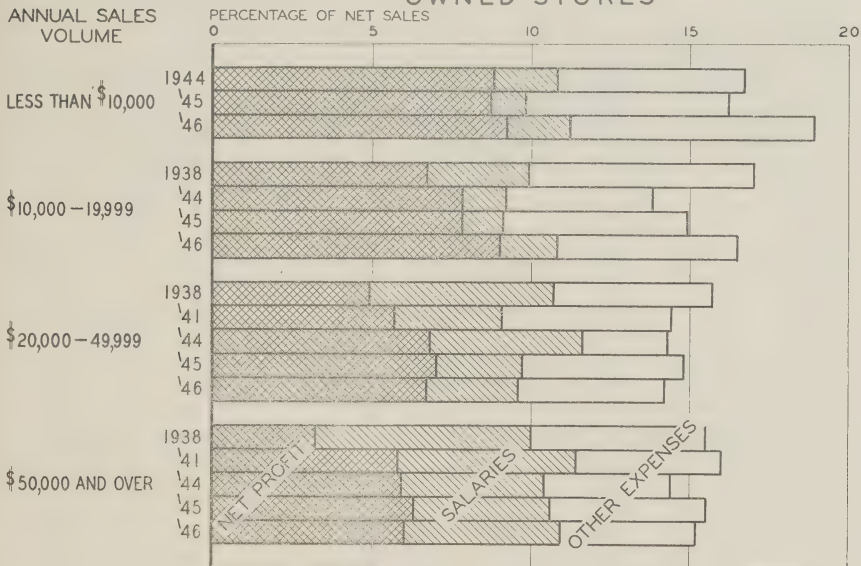
Gross profit or margin decreased in ratio to net sales from the small store to the middle size of business then rose in the largest size groups. Net profits followed a general downward trend in ratio as business volume increased.

Similar to other retail businesses, the ratio of salaries paid to employees increased with volume of business. The other expense items remained fairly constant over the various size ranges. Stocks held at the end of the year were greater in dollar value in all size categories than at the beginning. (See Table 3, page 10).

OPERATING RESULTS OF COUNTRY GENERAL STORES

GROSS MARGIN=NET PROFIT + SALARIES + OTHER EXPENSES

OWNED STORES



RENTED STORES

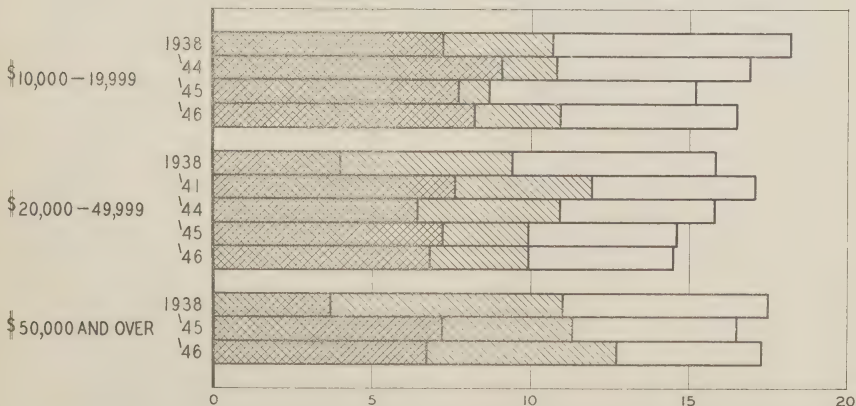


Table 3.---Country General Stores - Operating Results Classified According to Amount
of Annual Sales and Occupancy Basis, Canada, 1944

Item	OBTAIN STORES				RENTED STORES			
	Under \$10,000	to \$10,000	to \$20,000	\$20,000 and over	Under \$10,000	to \$10,000	to \$20,000	\$20,000 and over
Number of stores reporting	40	104	209	97	48	19	36	28
Average net sales per store	7,533	14,594	32,287	69,487	140,174	15,914	33,153	71,739
Average cost of goods sold, per store	6,108	12,186	27,713	56,916	118,783	13,236	28,346	60,449
Average inventory beginning of year	2,265	3,152	5,486	11,400	22,123	3,402	6,453	12,189
Average inventory end of year	2,335	3,515	6,254	13,303	25,600	3,730	7,183	14,935
Stock turnover (times per year) ..	2.7	3.7	4.7	4.8	5.0	3.7	4.2	4.5
Average net profits per store	691	1,310	2,163	4,522	7,647	1,299	2,264	4,758
Number of working proprietors	40	108	240	132	66	21	41	39

PROFIT AND LOSS DATA

(Items Expressed as Percentages of Net Sales)

	13.9	16.5	14.2	15.2	15.3	16.5	14.5	15.7	15.1
Gross margin	2.0	1.8	2.9	4.0	5.7	2.7	3.1	4.9	6.6
Operating expenses:	0.1	0.1	0.1	0.2	0.2	0.1	0.1	0.2	0.3
Employees' salaries and wages ..	1.1	0.9	0.8	0.7	0.7	0.7	0.6	0.4	0.6
Advertising	0.5	0.4	0.2	0.3	0.3	0.2	0.2	0.2	0.3
Store supplies	1.4	0.9	0.7	0.7	0.7	0.7	0.6	0.6	0.5
Bad debts	-	-	-	-	-	1.3	1.0	0.9	0.7
Taxes and insurance	1.7	1.1	0.7	0.6	0.4	1.1	0.7	0.5	0.4
Rent	0.9	0.8	0.5	0.6	0.4	0.4	0.3	0.1	0.4
Light, heat, and power	0.6	0.6	0.6	0.6	0.4	0.2	0.3	0.2	0.3
Repairs and maintenance	1.4	0.9	1.0	1.0	1.0	0.9	0.8	1.1	1.2
Depreciation	9.7	7.5	7.5	8.7	9.8	6.3	7.7	9.1	11.5
All other expenses									
Total operating expenses	9.2	9.0	6.7	6.5	5.5	8.2	6.8	6.6	6.8
Net profits before deduction of proprietors' salaries and income tax									

2. DRY GOODS STORES

This class of store sells piece goods, notions, smallwares, and clothing. To remain in the classification, however, clothing must not form more than 50 per cent of total net sales. A total of 243 independent unincorporated stores submitted satisfactory reports. When classed by size of business there were too few stores in the owner category with over \$100,000 sales volume to allow presentation of their results.

Trends by Size of Business (Table 4, page 12)

Gross and net profits, as percentages of net sales, were greater in the stores with sales less than \$10,000 but remained fairly constant over the other size groups. While salaries and wages increased proportionately with sales volume, the occupancy items of taxes and insurance, rent, light, heat, and power, and repairs decreased in ratio in the larger size stores.

Every size and occupancy class held larger dollar volume of stock at the end of the year than at the beginning. Expressed in dollar value, net profits ranged from \$884 in the smallest size class to \$8,890 in the largest.

Table 4.--Retail Dry Goods Stores - Operating Results Classified According to Amount of Annual Sales and Occupancy Basis, Canada, 1946

Item	OWNED STORES				RENTED STORES			
	Under \$10,000	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 and over	Under \$10,000	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 and over
Number of stores reporting	5	23	40	12	34	37	46	10
Average net sales per store	5,719	15,144	31,927	74,275	6,661	14,264	31,088	174,736
Average cost of goods sold, per store	4,115	11,733	24,122	55,122	4,637	10,605	23,217	125,114
Average inventory beginning of year	1,551	4,807	6,747	15,168	SAMPLE			
Average inventory end of year	1,724	5,500	7,785	19,143	2,599	4,035	6,598	11,190
Stock turnover (times per year) ...	2.5	2.3	3.3	3.2	1.9	2.4	3.2	3.5
Average net profits per store ...	884	1,926	3,717	8,890	1,024	1,978	3,718	7,475
Number of working proprietors	9	24	45	14	35	43	55	16
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)								
Gross margin	28.0	22.5	24.4	25.8	30.4	25.6	25.3	26.7
Operating expenses:								
Employees' salaries and wages ...	4.4	3.4	5.5	6.8	3.4	3.8	6.1	8.0
Advertising	0.4	0.2	0.3	0.9	0.4	0.2	0.5	0.8
Store supplies	0.7	0.7	0.7	0.8	0.8	0.9	0.7	0.4
Bad debts	0.3	0.1	0.2	(a)	0.5	0.1	0.1	(a)
Taxes and insurance	2.7	1.4	1.5	1.2	1.0	0.9	0.7	0.4
Rent	-	-	-	-	3.8	2.7	2.3	2.4
Light, heat, and power	1.9	1.0	0.9	0.5	1.6	0.8	0.7	0.2
Repairs and maintenance	0.9	0.7	0.7	0.6	0.8	0.2	0.5	0.3
Depreciation	0.2	0.6	0.7	0.5	0.3	0.2	0.2	0.2
All other expenses	1.1	1.7	2.3	2.5	2.4	2.0	1.6	2.3
Total operating expenses	12.6	9.8	12.8	13.8	15.0	11.8	13.4	15.0
Net profits before deduction of proprietors' salaries and income tax	15.4	12.7	11.6	12.0	15.4	13.5	11.9	11.7
(a) Less than 0.05 per cent								

Not published 1947-51



CANADA

OPERATING RESULTS AND FINANCIAL STRUCTURE INDEPENDENT GENERAL STORES 1952

Published by Authority of

The Right Honourable C. D. Howe, Minister of Trade and Commerce

DOMINION BUREAU OF STATISTICS

Industry and Merchandising Division

Merchandising and Services Section

NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: **Volume I** — The Primary Industries, including mining, forestry and fisheries; **Volume II** — Manufacturing; **Volume III** — Merchandising and Services.

Volume III consists of the following parts with individual trade reports listed under each:

Part I — Wholesale Statistics

- A — Wholesale Trade, 25¢
- *B — Operating Results of Food Wholesalers, 25¢
- *C — Operating Results of Dry goods, Piece Goods, and Footwear Wholesalers, 25¢
- *D — Operating Results of Miscellaneous Wholesalers, (Automotive parts and accessories, drugs, hardware, plumbing and heating equipment), 25¢

Part II — Retail Statistics

- E — General Review, 25¢
- F — Retail Trade, 50¢
- G — Retail Chain Stores, 50¢
- *H — Operating Results of Chain Food Stores, 25¢
- *I — Operating Results of Chain Clothing Stores, 25¢
- *J — Operating Results of Miscellaneous Chain Stores (variety, drug, furniture), 25¢
- K — Operating Results of Retail Food Stores, 25¢
- L — Operating Results of Retail Clothing Stores, 25¢
- M — Operating Results of Retail Hardware, Furniture, Appliance and Radio Stores, 25¢
- N — Operating Results of Filling Stations and Garages, 25¢
- O — Operating Results of Miscellaneous Retail Stores, 25¢
- P — Retail Consumer Credit, 25¢

Part III — Service and Special Fields

- Q — Laundries, Cleaners and Dyers, 25¢
- R — Motion Picture Theatres, Exhibitors and Distributors, 25¢
- S — Hotels, 25¢
- T — Sales Financing, 25¢
- U — Farm Implement and Equipment Sales, 25¢
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Note: "Operating Results and Financial Structure Independent General Stores" was formerly contained in the bulletin "Operating Results and Financial Structure Miscellaneous Retail Stores".

DEFINITIONS

Profit and Loss

Net sales — the dollar volume of business done, allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

Cost of goods sold — determined by adding the beginning inventory to net purchases and deducting the ending inventory.

Gross profit — the difference between "cost of goods sold" and "net sales".

Operating expenses — all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

Salaries and wages (except delivery) — payments to employees before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" in unincorporated store operations.

Taxes — business, property and water taxes. Taxes collected for remittance to governmental bodies and income tax are not included.

Insurance — annual proportion of premiums for insurance policies carried to protect the business.

Rent — payments for use of business premises.

Heat, light and power — cost applicable to year's operations.

Delivery — includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licenses and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.).

Repairs and maintenance — costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).

Depreciation allowances — provision for decrease in the value of fixed store assets.

Store supplies — wrapping paper, office supplies, etc.

Advertising — displays, window dressing and sales promotion.

Net bad debt loss — estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.

Other expenses — telephone, telegraph, postage, bank charges, legal, auditing and collection fees, etc.

Net operating profit — is the difference between "total operating expenses" and "gross profit" and includes proprietors' salaries and withdrawals before income tax deductions.

Occupancy — the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.

DEFINITIONS

Balance Sheet

Assets

Cash on hand or in bank — the amount of cash in the business at the end of the year.

Net accounts receivable — all customers' notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

Merchandise inventory — the cost value of merchandise on hand for resale but does not include store supplies on hand.

Other current assets — includes assets which may be converted into cash, if necessary within a reasonably short time, such as Dominion of Canada Bonds and prepaid insurance.

Fixed assets (net) — the book value of land, buildings, furniture, fixtures and equipment less any reserves for depreciation. Separate figures are shown for assets used in the business and those not used in the business.

Other assets — investments of a permanent nature not readily converted into cash and intangibles such as goodwill and organization costs.

Liabilities and Net Worth

Current liabilities — obligations which must be paid in the near future and represent accounts payable or any item that may be considered as a direct lien against current assets.

Fixed liabilities — mortgages secured by fixed assets and separated, as are fixed assets, between those used and not used in business.

Other liabilities — long term notes payable, accrued expenses such as taxes due but not yet paid, and prepaid or deferred income.

Net worth — Unincorporated business — the amount invested in the business together with any accumulated profits after proprietor's or partners' withdrawals.

— Incorporated business — net worth is shown in two parts: (1) Capital stock, which represents the shareholders' investment of fully paid-up subscribed shares, and (2) Surplus, which represents distributable surplus, capital surplus and earned surplus.

DEFINITIONS

Profit and Loss Statement Ratios

Stock Turnover — the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.

Gross Profit Ratio — sometimes referred to as the "gross margin ratio" or "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales' dollar from which the merchant meets his operating expenses and obtains his net operating profit.

Operating Expense Ratios — Each item of expense, as well as "total operating expenses" when expressed as a percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

Net Operating Profit Ratio — the remaining proportion of the average sales' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowances for both proprietors' salaries and income tax should be deducted, in order to determine the percentage to sales of net returns on capital investment.

Balance Sheet Ratios

Current Ratio — $\text{Current Assets} \div \text{Current Liabilities}$ — indicates to what extent the business is able to meet its current obligations out of "current assets". Care should be taken to examine the components of current assets because overstocking of inventories and overinvestment in credit sales (accounts receivable) can result in a stronger or more favourable ratio.

Liquidity Ratio — $\text{Cash} + \text{Accounts Receivable} + \text{Government Bonds and Securities} \div \text{Current Liabilities}$ — sometimes referred to as the "acid test", is similar to the "current ratio" as a test of current credit strength. A ratio of 100% (or 1) is usually considered favourable.

Working Capital to Net Worth Ratio — denotes the relationship between "working capital" (current assets less current liabilities) and a proprietor's equity in the business. That is, the proportion of "net worth" that could be realized readily if liquidation were necessary.

Worth-Debt Ratio — $\text{Net Worth} \div \text{Total Liabilities}$ — If used in conjunction with the "current ratio", would reflect any weakening of the capital structure of a business through large loans which give a high "current ratio".

Interstatement Ratio

Turnover of Total Capital Employed — $\text{Net Sales} \div \text{Total Assets used in the business}$ — provides an indication of the degree of management efficiency. However, this ratio should not be used alone because "profits" and not "sales" are the major criterion of efficiency.

OPERATING RESULTS AND FINANCIAL STRUCTURE

INDEPENDENT GENERAL STORES

1952

INTRODUCTION

The ratios appearing in the operating results bulletins may not constitute an ideal pattern of operations which all retailers should set as a goal, but they do represent a standard by which the retailer may ascertain whether or not his operations are being conducted as effectively, economically and profitably as those of the trade in general. To the merchant whose profits are below average, the operating results summaries may help to disclose the reasons which account for this situation. Reflection and consideration on the part of the merchant make it possible to decide whether his operating methods should be altered or whether the situation is normal in the light of conditions peculiar to the location of his business.

There is growing evidence that independent retail merchants are making more advantageous use of the results shown in the biennial operating results bulletins issued by the Dominion Bureau of Statistics. Many accounting firms whose clientele includes retail merchants have shown much interest in these series.

A number of trade papers and business periodicals have reproduced and interpreted the results of previous studies with the object of illustrating to retail merchants the manner in which operating results can be used as a tool in store management. This is a practice the Bureau is pleased to encourage, since it meets with one of the most important objects in maintaining this series, namely the promotion of improved merchandising on the part of retailers.

Statistics derived from other sources have shown that the mortality rate of business is much higher among new entrants into the field of retailing than among those established for five years or more. There are many reasons for this, some of them

associated with the natural incompetence of the initiate retailer which could not be completely overcome by means of operating statement analysis. It seems reasonable to suppose, however, that failure in many cases is the result of inadequate knowledge on the part of new proprietors of the true fiscal requirements involved in operating a business and the proper allocation of costs. Where capital is limited, as is often the case in a newly-established store, it would seem that most careful attention should be given to maintenance of proper records and that provision be made to check against some such standard performance as these publications provide.

Analyses of both profit and loss statements and balance sheets are presented in this report.

Profit and loss data are shown for owned and rented stores separately, and for various sales-size categories.

Balance sheet data, which was introduced in 1948, is continued in this 1952 study. This information is presented by sales-size and kind of occupancy groups for stores with \$20,000 or more annual net sales. Where possible, a further differentiation has been made between businesses in operation less than 10 years and 10 years or more. An important change, introduced in 1950, is the segregation of fixed assets and fixed liabilities between those used in the business and those not used in the business. This makes possible a better relationship between assets used in the business and sales than was possible when all fixed assets of the proprietor were reported as one item.

This year, definitions of the ratios presented in this bulletin, for comparison and financial statement analysis, are shown on the opposite page.

INDEPENDENT GENERAL STORES

This classification includes stores recognized by the trade as independent general stores. The term "independent" is used to mean non-chain or single establishment firms. The sales of these stores were comprised of a general line of merchandise and the stores were generally situated in localities of less than 2,000 population. Of the total annual sales, food comprised the largest portion and the remainder was clothing, dry goods, shoes, hardware, etc.

Reports suitable for profit and loss statement tabulations were received from 364 unincorporated firms. Of these, 310 were operated by owner-proprietors and 54 by lessee-proprietors. Tabulations

of averages and ratios are shown separately for each of these categories. In addition, a further differentiation was made to show separate results for firms within typical annual sales-size ranges for each category.

Average balance sheet results are presented for both "owned" and "rented" categories. There was a sufficient number of reporting firms in the "owned" category to allow presentation of balance sheet data for businesses in operation "under 10 years" and "10 years and over" within each sales-size range.

Operating Results

Although identical firm results are not used, a reasonable year-to-year comparison of operating results may be made. Because profits and expenses for each year are expressed as percentages of their respective sales, it is necessary to take into account the change in sales to make a significant interpretation of changes in ratios. As an example, if average sales increased 10 per cent from \$50,000 in 1950 to \$55,000 in 1952, and rent showed a proportionate increase from \$600 to \$660, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10 per cent, the rent expense ratio would decline.

The 1952 gross profit ratio of 14.57 per cent of net sales was only slightly greater than the 1950 ratio of 14.54 per cent. Operating expenses, in total, showed a decline from 9.03 per cent in 1950 to 8.92 per cent in 1952. This decrease was common to all itemized expenses with occupancy expense showing

the greatest decline from 2.62 per cent in 1950 to 2.43 per cent in 1952. The decline in total operating expenses entirely accounted for the increase in the 1952 net operating profit ratio of 5.65 per cent compared to 5.51 per cent for 1950. In addition, the average net sales were greater in 1952. Therefore, general store proprietors realized a greater net operating profit than was indicated by direct ratio comparison. That is, in addition to the net operating profit forming a larger part of the average net sales' dollar for 1952, the average net sales (or the number of sales' dollars) were greater in 1952.

Generally, inventories were slightly higher in value at the end of 1952 than at the beginning of the year, for businesses operated in both owned and rented premises.

The annual rate of stock turnover ranged from 2.97 in the smaller stores to 5.36 for firms in the larger sales-size category.

Financial Ratios of Independent General Stores as at December 31, 1952

Ratio ¹	Owned	Rented
Current ratio	4.45	4.04
Liquidity ratio	1.65	1.66
Working capital to net worth	0.73	0.89
Worth debt ratio	3.36	2.72
Turnover of total capital employed	2.38	2.70

1. Ratio definitions are shown on page 6.

Operating Results of Independent General Stores 1950 and 1952 Compared

Item	1950	1952
Average net sales per store \$	55,320	64,587
Profit and Loss Data (Per cent of net sales)		
Gross profit	14.54	14.57
Operating expenses:		
Employees' salaries and wages	4.08	3.98
Occupancy	2.62	2.43
Store supplies	0.38	0.36
Advertising	0.23	0.22
All other expenses	1.72	1.93
Total operating expenses	9.03	8.92
Net operating profit before deduction of proprietors' salaries and income tax	5.51	5.65

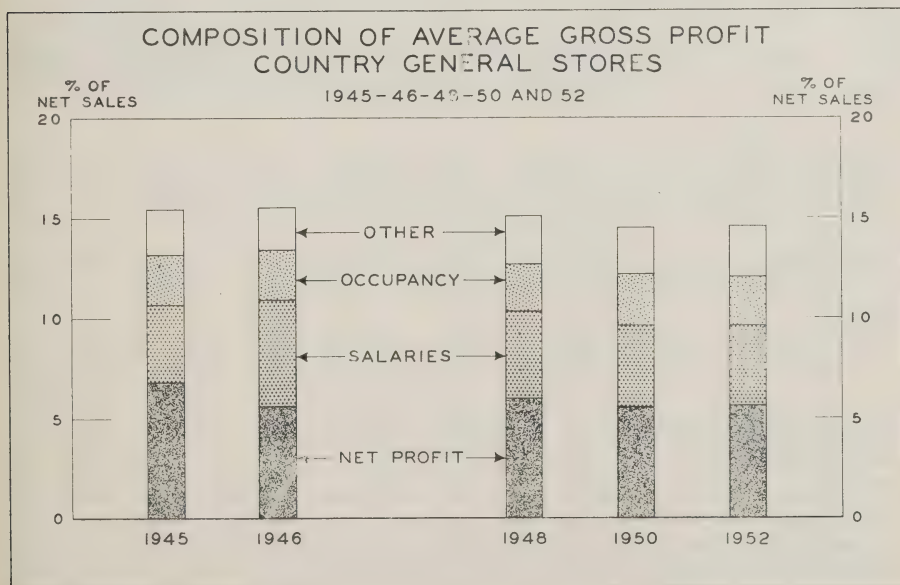


TABLE 1. Independent General Stores — Operating Results by Annual Sales Volume and Occupancy Basis, 1952

Item	Owned stores with annual net sales of				Rented stores with annual net sales of		
	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and over	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and over
Number of stores reporting	58	114	85	48	19	20	15
Average net sales per store	\$ 16,024	\$ 33,408	\$ 68,298	\$ 169,757	\$ 33,953	\$ 69,924	\$ 182,036
Average cost of goods sold	\$ 13,400	\$ 28,957	\$ 56,588	\$ 145,552	\$ 29,041	\$ 58,780	\$ 151,832
Average beginning inventory	\$ 4,408	\$ 7,818	\$ 13,681	\$ 31,876	\$ 6,831	\$ 15,966	\$ 27,688
Average inventory, end of year	\$ 4,630	\$ 7,809	\$ 14,071	\$ 32,760	\$ 7,135	\$ 17,000	\$ 29,017
Stock turnover (times per year)	2.97	3.71	4.22	4.50	4.16	3.57	5.36
Profit and Loss Data (Per cent of net sales)							
Gross profit	16.36	13.32	14.21	14.25	14.46	15.94	16.59
Operating expenses:							
Employees' salaries and wages	2.25	2.00	3.77	4.73	0.92	4.15	6.20
Taxes	0.77	0.54	0.43	0.28	0.34	0.28	0.17
Insurance	0.68	0.51	0.39	0.35	0.32	0.40	0.34
Rent	—	—	—	—	1.09	1.18	0.70
Heat, light and power	1.54	0.85	0.60	0.40	0.85	0.60	0.40
Delivery	1.05	0.69	0.76	0.76	0.49	0.56	0.58
Repairs and maintenance	0.73	0.40	0.34	0.32	0.49	0.53	0.17
Depreciation allowances	0.84	0.71	0.55	0.47	0.47	0.56	0.39
Store supplies	0.56	0.35	0.39	0.34	0.32	0.28	0.38
Advertising	0.13	0.18	0.18	0.24	0.08	0.36	0.28
Bad debts—written off	0.24	0.19	0.22	0.44	0.08	0.14	0.22
(Less) amount recovered	0.02	0.06	0.02	0.09	—	0.02	0.01
Net bad debt loss	0.22	0.13	0.20	0.35	0.08	0.12	0.21
All other expenses	0.94	0.82	0.99	1.09	0.47	0.83	0.82
Total operating expenses	9.71	7.18	8.60	9.33	5.92	9.95	10.74
Net operating profit before deduction of proprietors' salaries and income tax	6.65	6.14	5.61	4.92	8.54	5.99	5.85

TABLE 2. Independent General Stores — Owned — Financial Structure by Size and Age of Business as at December 31, 1952

Item	Stores with annual net sales of									Total all sizes \$20,000 and over
	\$20,000 to \$49,999			\$50,000 to \$99,999			\$100,000 and over			
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
Assets										
Current assets:										
Cash on hand and in bank.....	1,678	1,734	1,715	1,628	2,895	2,587	3,484	5,290	4,700	2,677
Accounts and notes receivable (net).....	1,613	1,551	1,572	6,500	4,396	4,908	9,968	10,103	10,057	4,607
Merchandise inventory.....	6,722	8,282	7,764	13,450	13,928	13,812	27,581	36,988	33,914	15,625
Other current assets.....	1,012	1,981	1,658	974	2,145	1,861	1,725	2,873	2,498	1,913
Total current assets.....	11,025	13,548	12,709	22,552	23,364	23,168	42,758	55,254	51,169	24,822
Fixed assets (net):										
Used in the business.....	5,767	3,719	4,402	7,249	5,307	5,780	10,593	10,525	10,545	6,234
Not used in the business.....	2,003	2,416	2,279	979	2,593	2,200	177	3,314	2,290	2,254
Total fixed assets (net).....	7,770	6,135	6,681	8,228	7,900	7,980	10,770	13,839	12,835	8,488
Other assets:										
Investments of a permanent nature.....	512	354	407	409	1,238	1,036	249	17	93	560
Intangibles.....	221	428	359	95	704	556	583	244	354	427
Total other assets.....	733	782	766	504	1,942	1,592	832	261	447	987
Total assets.....	19,528	20,465	20,156	31,284	33,206	32,740	54,360	69,354	64,451	34,297
Liabilities										
Current liabilities—accounts and notes payable....	1,905	2,331	2,189	6,045	4,858	5,147	12,152	13,221	12,870	5,572
Fixed liabilities—mortgages on fixed assets:										
Used in the business.....	545	30	202	1,196	207	448	5,139	1,469	2,665	828
Not used in the business.....	138	184	169	—	—	—	—	790	532	189
Other liabilities.....	1,699	363	808	942	829	856	2,487	3,014	2,842	1,271
Total liabilities.....	4,287	2,908	3,368	8,183	5,894	6,451	19,778	18,494	18,909	7,860
Net worth—proprietor's or partners' equity in the business.....	15,241	17,557	16,788	23,101	27,312	26,289	34,582	50,860	45,542	26,437
Total liabilities and net worth.....	19,528	20,465	20,156	31,284	33,206	32,740	54,360	69,354	64,451	34,297
Number of stores reporting.....	30	60	90	18	56	74	15	31	46	210
Average net sales of stores reporting.....	34,495	34,228	34,322	75,291	67,435	69,350	162,415	171,829	168,723	76,115

TABLE 3. Independent General Stores—Rented—Financial Structure by Size of Business
as at December 31, 1952

Item	Stores with annual net sales of			Total all sizes \$20,000 and over
	\$20,000 to \$49,000	\$50,000 to \$99,999	\$100,000 and over	
Assets				
Current assets:				
Cash on hand and in bank	2,154	2,858	4,354	2,891
Accounts and notes receivable (net)	1,323	4,942	12,607	5,110
Merchandise inventory	7,387	16,110	23,134	14,768
Other current assets	163	412	8,243	1,917
Total current assets	11,007	24,322	48,338	24,084
Fixed assets (net):				
Used in the business	2,080	2,474	3,979	2,629
Not used in the business	356	369	383	387
Total fixed assets (net)	2,436	2,843	4,362	2,996
Other assets:				
Investments of a permanent nature	—	694	—	284
Intangibles	—	681	572	396
Total other assets	—	1,375	572	680
Total assets	13,443	28,540	53,272	27,760
Liabilities				
Current liabilities—accounts and notes payable				
Fixed liabilities—mortgages on fixed assets:	2,058	7,260	10,765	5,966
Used in the business	72	589	—	269
Not used in the business	—	—	—	—
Other liabilities	550	885	3,148	1,218
Total liabilities	2,680	8,734	13,913	7,453
Net worth—proprietor's or partners' equity in the business	10,763	19,806	39,359	20,307
Total liabilities and net worth	13,443	28,540	53,272	27,760
Number of stores reporting	17	18	9	44
Average net sales of stores reporting	33,562	69,986	157,902	73,879

63-411



CANADA

OPERATING RESULTS AND FINANCIAL STRUCTURE
INDEPENDENT GENERAL STORES
1954



Published by Authority of
The Right Honourable C. D. Howe, Minister of Trade and Commerce

DOMINION BUREAU OF STATISTICS
Industry and Merchandising Division
Merchandising and Services Section

NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: **Volume I**—The Primary Industries, including mining, forestry and fisheries; **Volume II**—Manufacturing; **Volume III**—Merchandising and Services.

Volume III consists of the following parts with individual trade reports listed under each:

Part I—Wholesale Statistics

- A—Wholesale Trade, 25¢
- *B—Operating Results of Food Wholesalers, 25¢
- *C—Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers, 25¢
- *D—1 Operating Results of Automotive Parts and Accessories Wholesalers, 25¢
 - 2 Operating Results of Drug Wholesalers, 25¢
 - 3 Operating Results of Hardware Wholesalers, 25¢
 - 4 Operating Results of Plumbing and Heating Supply Wholesalers, 25¢
 - 5 Operating Results of Household Appliance & Electrical Supply Wholesalers, 25¢

Part II—Retail Statistics

- E—General Review—(Discontinued)
- F—Retail Trade, 50¢
- G—Retail Chain Stores, 50¢
- *H—Operating Results of Food Store Chains, 25¢
- *I—Operating Results of Clothing Store Chains, 25¢
- *J—1 Operating Results of Variety Store Chains, 25¢
 - 2 Operating Results of Drug Stores Chains, 25¢
 - 3 Operating Results of Furniture Store Chains, 25¢
- K—Operating Results of Independent Food Stores, 25¢
- L—Operating Results of Independent Clothing Stores, 25¢
- M—Operating Results of Independent Hardware, Furniture, Appliance and Radio Stores, 25¢
- N—Operating Results of Filling Stations & Garages, 25¢
- O—1 Operating Results of Independent General Stores, 25¢
 - 2 Operating Results of Independent Restaurants, 25¢
 - 3 Operating Results of Independent Fuel Dealers, 25¢
 - 4 Operating Results of Independent Drug Stores, 25¢
 - 5 Operating Results of Independent Jewellery Stores, 25¢
 - 6 Operating Results of Independent Tobacco Stores, 25¢
- P—Retail Consumer Credit, 25¢

Part III—Services and Special Fields

- Q—Laundries, Cleaners and Dyers, 25¢
- R—Motion Picture Theatres, Exhibitors and Distributors, 25¢
- S—Hotels, 25¢
- T—Sales Financing, 25¢
- U—Farm Implement and Equipment Sales, 25¢
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- (1) Capital stock, which represents the shareholders' investment of fully paid-up subscribed shares, and
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Assets

Cash on hand or in bank — the amount of cash in the business at the end of the year.

Net accounts receivable — all customers' notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

Merchandise inventory — the cost value of merchandise on hand for resale but does not include store supplies on hand.

Other current assets — includes assets which may be converted into cash, if necessary within a reasonably short time, such as Dominion of Canada Bonds and prepaid insurance.

Fixed assets (net) — the book value of land, buildings, furniture, fixtures and equipment less any reserves for depreciation. Separate figures are shown for assets used in the business and those not used in the business.

Other assets — investments of a permanent nature not readily converted into cash and intangibles such as goodwill and organization costs.

Liabilities and Net Worth

Current liabilities — obligations which must be paid in the near future and represent accounts payable or any item that may be considered as a direct lien against current assets.

Fixed liabilities — mortgages secured by fixed assets and separated, as are fixed assets, between those used and not used in business.

Other liabilities — long term notes payable, accrued expenses such as taxes due but not yet paid, and prepaid or deferred income.

Net worth — Unincorporated business — the amount invested in the business together with any accumulated profits after proprietor's or partners' withdrawals.

— Incorporated business — net worth is shown in two parts:

- (1) Capital stock, which represents the shareholders' investment of fully paid-up subscribed shares, and
- (2) Surplus, which represents distributable surplus, capital surplus and earned surplus.

DEFINITIONS

Profit and Loss Statement Ratios

Stock Turnover — the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.

Gross Profit Ratio — sometimes referred to as the "gross margin ratio" or "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales' dollar from which the merchant meets his operating expenses and obtains his net operating profit.

Operating Expense Ratios — Each item of expense, as well as "total operating expenses" when expressed as a percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

Net Operating Profit Ratio — the remaining proportion of the average sales' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowances for both proprietors' salaries and income tax should be deducted, in order to determine the percentage to sales of net returns on capital investment.

Balance Sheet Ratios

Current Ratio — $\text{Current Assets} \div \text{Current Liabilities}$ — indicates to what extent the business is able to meet its current obligations out of "current assets". Care should be taken to examine the components of current assets because overstocking of inventories and overinvestment in credit sales (accounts receivable) can result in a stronger or more favourable ratio.

Liquidity Ratio — $\text{Current Assets Less Merchandise Inventory} \div \text{Current Liabilities}$ — sometimes referred to as the "acid test", is similar to the "current ratio" as a test of current credit strength. A ratio of 100% (or 1) is usually considered favourable.

Working Capital to Net Worth Ratio — denotes the relationship between "working capital" (current assets less current liabilities) and a proprietor's equity in the business. That is, the proportion of "net worth" that could be realized readily if liquidation were necessary.

Worth-Debt Ratio — $\text{Net Worth} \div \text{Total Liabilities}$ — if used in conjunction with the "current ratio", would reflect any weakening of the capital structure of a business through large loans which give a high "current ratio".

Interstatement Ratio

Turnover of Total Capital Employed — $\text{Net Sales} \div \text{Total Assets used in the business}$ — provides an indication of the degree of management efficiency. However, this ratio should not be used alone because "profits" and not "sales" are the major criterion of efficiency.

OPERATING RESULTS AND FINANCIAL STRUCTURE INDEPENDENT GENERAL STORES 1954

INTRODUCTION

This report on operating results and financial structure presents information in the form of averages and ratios as a guide to retail store operators for the trades covered. These ratios are the "average" of a broad range of operational efficiency, and as such do not represent top performance guides. However, used with this in mind, they show a standard by which business men can compare their own operating experiences. The pattern of expense and financial ratios, by size and kind of business, permit direct analysis of operating results for the year.

There is growing evidence that independent retail merchants are making more advantageous use of the results shown in the biennial operating results bulletins issued by the Dominion Bureau of Statistics. Many accounting firms whose clientele includes retail merchants have shown much interest in these series.

A number of trade papers and business periodicals have reproduced and interpreted the results of previous studies with the object of illustrating to retail merchants the manner in which operating results can be used as a tool in store management. This is a practice the Bureau is pleased to encourage, since it meets with one of the most important objects in maintaining this series, namely the promotion of improved merchandising on the part of retailers.

The new owner of a retail store or the prospective operator might well study these averages. Not

all failures in business, however, come from the "new owner" group. It seems reasonable to suppose, however, that failure in many cases is the result of inadequate knowledge on the part of new proprietors of the true fiscal requirements involved in operating a business and the proper allocation of costs. Where capital is limited, as is often the case in a newly-established store, it would seem that most careful attention should be given to maintenance of proper records and that provision be made to check against some such standard performance as these publications provide.

Analyses of both profit and loss and balance sheet statements are presented in this report.

Profit and loss data are shown for owned and rented stores separately, and for various sale-size categories.

Balance sheet data, which were introduced in 1948, are continued in this 1954 study. This information is presented by sales-size and kind of occupancy groups for stores with \$20,000 or more annual net sales. Where possible, a further differentiation has been made between businesses in operation less than 10 years and 10 years or more. An important change, introduced in 1950, is the segregation of fixed assets and fixed liabilities between those used in the business and those not used in the business. This makes possible a better relationship between assets used in the business and sales, than was possible when all fixed assets of the proprietor were reported as one item.

INDEPENDENT GENERAL STORES

Only establishments selling at least one of the following subsidiary lines: hard goods (hardware, farm implements, building materials, housewares, household appliances, furniture, etc.), feed, fertilizer, gasoline and lubricants along with 33% to 67% of total trade of grocery items, are tabulated under this kind of business classification.

Unincorporated "single establishment" or "independent" firms only are covered. After careful editing, 377 questionnaires were used for the profit and loss tabulations (315 for owned stores and 62

for rented stores). Returns from which balance sheet data were used numbered 284.

Any change in the actual count from survey to survey may be attributed to changes in store classification, stores going out of business, the necessity of augmenting the survey list or simply to different non-response in the survey years.

Tabulation of balance sheet data was made on a sales-size range basis and, where possible, a further breakdown by number of years in business.

Compilation of profit and loss data was made for different sales-size categories. The response from large stores is generally better than that from smaller ones. To obtain proper ratios for total trade, weights of the 1951 census were used. For example, in response to this survey, independent stores between \$10,000 and \$19,999 may represent 5% of the business done by all respondents. According to the 1951 census they might account for approximately 11% of total general store sales. To obtain ratios for total all sizes, the census weights were applied to the various expense and profit ratios of the different sales-size classes.

The summary chart does not show weighted ratios; for sake of comparability with previous years for which weights are not available, aggregate or unweighted ratios were used.

The average gross profit expressed as a percentage of average net sales increased in 1954 to 14.92 per cent from 14.34 per cent in 1952. Operating expenses also increased but to a greater degree

and offset the gross profit increase. The result was a decrease in the net operating profit from 5.78 per cent in 1952 to 5.68 per cent in 1954.

Inventories for owned stores were generally higher at the end of the year than at the beginning, except for sales-size \$20,000-\$49,999 in which they were lower. Two size groups of rented stores had slight decreases at the end of the year compared to the beginning while sales-size \$20,000-\$49,999, and \$100,000 and over, both showed an increase at the end of the year.

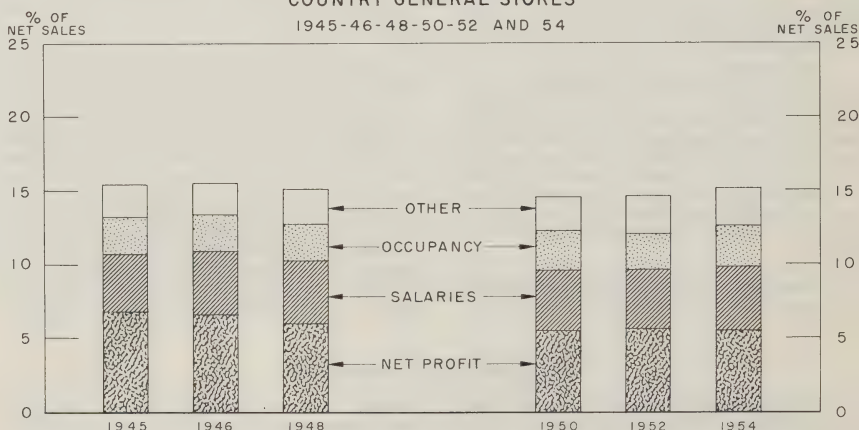
Generally the rate of stock turnover increased with sales-sizes for owned and rented stores ranging from 1.84 to 4.79 times per year.

Balance sheet ratios are shown historically, affording valuable comparison for further study.

The following summaries, chart and tables, will give more detail and information on operating results and financial position of independent general stores for 1954.

COMPOSITION OF AVERAGE GROSS PROFIT COUNTRY GENERAL STORES

1945-46-48-50-52 AND 54



Operating Results of Independent General Stores 1952 and 1954 Compared

Item	1952	1954
	(per cent of net sales)	
Gross profit	14.34	14.92
Operating expenses:		
Employees' salaries	3.47	3.74
Occupancy.....	2.61	2.96
Store supplies.....	0.37	0.39
Advertising	0.20	0.26
All other expenses.....	1.91	1.89
Total operating expenses	8.56	9.24
Net operating profit before deduction of proprietors' salaries and income tax	5.78	5.68

Note: These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent stores and are shown here for the first time. They do not agree with ratios shown formerly for 1952 nor with those shown in historical tables.

Financial Ratios of Independent General Stores as at December 31, 1952

Item ¹	Owened	Rented
Current ratio		
1948	4.11	4.14
1950	4.56	3.62
1952	4.45	4.04
1954	4.57	5.69
Liquidity ratio		
1952	1.65	1.66
1954	1.85	2.06
Working capital to net worth ratio.....		
1948	0.70	0.91
1950	0.73	0.94
1952	0.73	0.89
1954	0.72	0.84
Worth debt ratio		
1948	3.57	3.22
1950	3.57	2.08
1952	3.36	2.72
1954	3.25	4.20
Turnover of total capital employed		
1952	2.38	2.70
1954	2.06	2.81

1. Ratio definitions are shown on page 6.

TABLE 1. Independent General Stores — Operating Results by Annual Sales Volume and Occupancy, 1954

Item	Owned stores with annual net sales of					Rented stores with annual net sales of				
	Under \$10,000	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and over	\$10,000 to \$19,999	\$20,000 to \$49,999	\$50,000 to \$99,999	\$100,000 and over	
Number of stores reporting	10	60	111	86	48	7	21	19	15	
Average net sales per store	\$ 8,228	15,423	33,153	70,815	154,367	13,319	34,638	75,571	182,811	
Average beginning inventory	\$ 2,889	4,887	7,871	15,237	30,423	5,897	7,077	16,439	31,767	
Average inventory, end of year	\$ 2,904	5,067	7,692	15,450	31,297	5,249	7,117	16,289	32,050	
Average cost of goods sold	\$ 6,688	12,838	28,495	60,627	130,967	10,241	29,533	63,295	152,828	
Stock turnover (times per year)	2.31	2.58	3.62	3.95	4.24	1.84	4.19	3.87	4.79	
Profit and Loss Data (Per cent of net sales)										
Gross profit	18.71	16.76	14.05	14.39	15.16	23.11	14.74	16.24	16.40	
Operating expenses:										
Employees' salaries and wages (except delivery) ..	2.26	1.74	2.24	3.76	5.39	4.50	1.60	4.81	6.53	
Delivery expense	0.83	0.85	0.68	0.62	0.52	0.27	0.59	0.61	0.34	
Occupancy expenses:										
Taxes	1.23	0.91	0.52	0.44	0.35	0.28	0.21	0.27	0.18	
Insurance	0.59	0.56	0.51	0.42	0.40	0.43	0.32	0.32	0.34	
Rent	—	—	—	—	—	1.86	1.50	1.26	0.61	
Heat, light and power	2.02	1.42	0.95	0.64	0.50	0.78	0.77	0.69	0.40	
Repairs and maintenance	0.86	0.65	0.48	0.43	0.32	0.03	0.31	0.24	0.31	
Depreciation allowances	0.90	1.18	0.85	0.84	0.67	0.39	0.69	0.52	0.55	
Total occupancy expenses	5.60	4.72	3.31	2.77	2.24	3.77	3.80	3.30	2.39	
Office or store supplies	0.73	0.32	0.37	0.34	0.47	0.36	0.31	0.45	0.28	
Advertising	0.15	0.16	0.19	0.27	0.34	0.04	0.29	0.31	0.32	
Net loss on bad debts	0.28	0.20	0.38	0.24	0.41	0.63	0.19	0.52	0.20	
All other expenses	1.06	0.93	0.94	0.98	0.87	1.89	0.82	1.13	0.90	
Total operating expenses	10.91	8.92	8.11	8.98	10.24	11.46	7.60	11.14	10.96	
Net operating profit before deduction of proprietors' salaries and income tax	7.80	7.84	5.94	5.41	4.92	11.65	7.14	5.10	5.44	

TABLE 2. Independent General Stores — Owned — Financial Structure by Size and Age of Business as at December 31, 1954

Item	Stores with annual net sales of									Total all sizes \$20,000 and over
	\$20,000 to \$49,999			\$50,000 to \$99,999			\$100,000 and over			
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
(average per store)										
Assets										
Current assets:										
Cash on hand and in bank.....	1,548	2,207	2,012	4,434	3,763	3,925	4,570	7,037	6,112	3,544
Accounts and notes receivable (net)	1,844	2,160	2,066	4,999	4,975	4,981	9,226	12,816	11,470	5,055
Merchandise inventory.....	7,107	8,261	7,918	12,042	16,482	15,411	25,402	34,834	31,297	15,436
Other current assets	976	3,030	2,420	904	1,657	1,476	1,218	1,750	1,550	1,902
Total current assets	11,475	15,658	14,416	22,379	26,877	25,793	40,416	56,437	50,429	25,937
Fixed assets (net):										
Used in the business.....	5,982	4,459	4,912	8,587	7,747	7,950	10,581	10,765	10,696	7,195
Not used in the business	2,093	1,806	1,891	1,075	1,414	1,332	1,342	3,460	2,666	1,852
Total fixed assets (net)	8,075	6,265	6,803	9,662	9,161	9,282	11,923	14,225	13,362	9,047
Other assets:										
Long term investments	186	1,222	914	1,186	1,342	1,304	83	725	484	965
Other assets	709	724	719	1,326	468	675	1,430	1,296	1,346	833
Total other assets	895	1,946	1,633	2,512	1,810	1,979	1,513	2,021	1,830	1,798
Total assets	20,445	23,869	22,852	34,553	37,848	37,054	53,852	72,683	65,621	36,782
Liabilities										
Current liabilities:										
Accounts and notes payable.....	2,404	3,270	3,012	4,847	5,432	5,291	11,875	12,022	11,967	5,680

TABLE 2. Independent General Stores — Owned — Financial Structure by Size and Age of Business as at December 31, 1954 — Concluded

Item	Stores with annual net sales of									Total all sizes \$20,000 and over
	\$20,000 to \$49,999			\$50,000 to \$99,999			\$100,000 and over			
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
(average per store)										
Liabilities — Concluded										
Fixed liabilities:										
Mortgages on fixed assets used in business	737	119	303	2,552	1,521	1,770	3,433	1,624	2,302	1,242
Mortgages on fixed assets not used in business	200	96	127	—	614	466	15	742	469	319
Total fixed liabilities	937	215	430	2,552	2,135	2,236	3,448	2,366	2,771	1,561
Other liabilities	1,416	925	1,071	2,208	1,024	1,309	2,407	2,257	2,313	1,413
Total liabilities	4,757	4,410	4,513	9,607	8,591	8,836	17,730	16,645	17,051	8,654
Net worth:										
Proprietor's or partners' equity	15,688	19,459	18,339	24,946	29,257	28,218	36,122	56,038	48,570	28,128
Total liabilities and net worth	20,445	23,869	22,852	34,533	37,848	37,054	53,852	72,683	65,621	36,782
Average net sales of stores reporting	34,493	32,685	33,222	70,777	71,522	71,343	143,991	160,592	154,367	71,925
Number of stores reporting	30	71	101	20	63	83	18	30	48	232

TABLE 3. Independent General Stores — Rented — Financial Structure by Size and Age of Business as at December 31, 1954

Item	Stores with annual net sales of									Total all sizes \$20,000 and over
	\$20,000 to \$49,999			\$50,000 to \$99,999			\$100,000 and over			
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
(average per store)										
Assets										
Current assets:										
Cash on hand and in bank.....	1,395	1,811	1,557	5,958	2,639	4,036	5,552	7,072	6,362	3,849
Accounts and notes receivable (net).....	1,465	1,660	1,541	4,626	5,734	5,267	11,739	6,861	9,138	5,094
Merchandise inventory.....	7,115	8,733	7,744	13,138	18,581	16,290	32,165	31,948	32,049	17,877
Other current assets	19	1,315	522	401	418	411	249	5,711	3,162	1,243
Total current assets	9,994	13,519	11,364	24,123	27,372	26,004	49,705	51,592	50,711	28,063
Fixed assets (net):										
Used in the business.....	1,792	2,246	1,969	2,080	2,230	2,168	7,337	8,796	8,116	3,815
Not used in the business	909	1,071	972	300	1,091	758	—	1,875	1,000	902
Total fixed assets (net)	2,701	3,317	2,941	2,383	3,321	2,926	7,337	10,671	9,116	4,717
Other assets:										
Long term investments	5	—	3	328	1,248	860	—	—	—	316
Other assets	193	643	368	12	160	98	604	3,599	2,201	798
Total other assets	198	643	371	340	1,408	958	604	3,599	2,201	1,114
Total assets	12,893	17,479	14,676	26,846	32,101	29,888	57,646	65,862	62,028	33,894
Liabilities										
Current liabilities:										
Accounts and notes payable.....	2,056	1,801	1,957	5,387	5,706	5,572	7,722	7,676	7,697	4,934
Fixed liabilities:										
Mortgages on fixed assets used in business	822	486	691	—	854	495	—	—	—	420
Mortgages on fixed assets not used in business	—	—	—	125	—	52	—	—	—	19
Total fixed liabilities	822	486	691	125	854	547	—	—	—	439
Other liabilities	875	618	775	625	2,141	1,502	2,211	188	1,132	1,144
Total liabilities	3,753	2,905	3,423	6,137	8,701	7,621	9,933	7,864	8,829	6,517
Net worth:										
Proprietor's or partners' equity.....	9,140	14,574	11,253	20,709	23,400	22,267	47,713	57,998	53,199	27,377
Total liabilities and net worth.....	12,893	17,479	14,676	26,846	32,101	29,888	57,646	65,862	62,028	33,894
Average net sales of stores reporting.....	34,180	37,381	35,425	82,585	70,469	75,571	187,103	179,055	182,811	92,609
Number of stores reporting	11	7	18	8	11	19	7	8	15	52



CANADA

OPERATING RESULTS AND FINANCIAL STRUCTURE INDEPENDENT GENERAL STORES 1956

Published by Authority of
The Honourable Gordon Churchill, Minister of Trade and Commerce

DOMINION BUREAU OF STATISTICS
Industry and Merchandising Division
Retail Trade Section

NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: **Volume I** — The Primary Industries, including mining, forestry and fisheries; **Volume II** — Manufacturing; **Volume III** — Merchandising and Services.

Volume III consists of the following parts with individual trade reports listed under each:

Part I — Wholesale Statistics

- A — Wholesale Trade, 25¢
- *B — Operating Results of Food Wholesalers, 25¢
- *C — Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers, 25¢
- *D — 1 Operating Results of Automotive Parts and Accessories Wholesalers, 25¢
 - 2 Operating Results of Drug Wholesalers, 25¢
 - 3 Operating Results of Hardware Wholesalers, 25¢
 - 4 Operating Results of Plumbing and Heating Supply Wholesalers, 25¢
 - 5 Operating Results of Household Appliance & Electrical Supply Wholesalers, 25¢

Part II — Retail Statistics

- F — Retail Trade, 50¢
- G — Retail Chain Stores, 50¢
- *H — Operating Results of Food Store Chains, 25¢
- *I — Operating Results of Clothing Store Chains, 25¢
- *J — 1 Operating Results of Variety Store Chains, 25¢
 - 2 Operating Results of Drug Store Chains, 25¢
 - 3 Operating Results of Furniture Store Chains, 25¢
- K — Operating Results of Independent Food Stores, 25¢
- L — Operating Results of Independent Clothing Stores, 25¢
- M — Operating Results of Independent Hardware, Furniture, Appliance, Radio and Television Stores, 25¢
- N — Operating Results of Filling Stations and Garages, 25¢
- O — 1 Operating Results of Independent General Stores, 25¢
 - 2 Operating Results of Independent Restaurants, 25¢
 - 3 Operating Results of Independent Fuel Dealers, 25¢
 - 4 Operating Results of Independent Drug Stores, 25¢
 - 5 Operating Results of Independent Jewellery Stores, 25¢
 - 6 Operating Results of Independent Tobacco Stores, 25¢
- P — Retail Credit, 25¢

Part III — Services and Special Fields

- Q — Laundries, Cleaners and Dyers, 25¢
- R — Motion Picture Theatres, Exhibitors and Distributors, 25¢
- S — Hotels, 25¢
- T — Sales Financing, 25¢
- U — Farm Implement and Equipment Sales, 25¢
- V — New Motor Vehicle Sales and Motor Vehicle Financing, 25¢
- W — Advertising Agencies (Memorandum), 10¢
- X — Motion Picture Production (Memorandum), 10¢

The reports are punched to permit of filing in a ring binder.

* Biennial reports — not issued for 1956.

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DEFINITIONS

Profit and Loss

Net Sales — the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

Purchases — are taken at invoice value less returns and allowances, cash and trade discounts. Added to the cost of merchandise are the following expenses; duty, inward freight, express and trucking, alterations, etc.

Cost of goods sold — determined by adding the beginning inventory to net purchases and deducting the ending inventory.

Gross profit — the difference between "cost of goods sold" and "net sales".

Operating expenses — all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

Salaries and wages (except delivery) — payments to employees before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" in unincorporated store operations.

Delivery — includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.)

Taxes — business, property and water taxes. Taxes collected for remittance to governmental bodies and income tax are not included.

Insurance — annual proportion of premiums for insurance policies carried to protect the business.

Rent — Payments for use of business premises.

Heat, light and power — cost applicable to year's operations.

Repairs and maintenance — costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).

Store supplies — wrapping paper, office supplies, etc.

Advertising — displays, window dressing and sales promotion.

Net bad debt loss — estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.

Other expenses — telephone, telegraph, postage, bank charges, legal, auditing and collection fees, etc.

Net operating profit — is the difference between "total operating expenses" and "gross profit" and includes proprietors' salaries and withdrawals before income tax deductions.

Occupancy — the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.

Non-trading Income — interest earned, revenues from rentals, other activities, carrying charges and investments.

Non-trading expense — interest expense, rental expense, any other expenses not pertaining to the business.

DEFINITIONS

Balance Sheet

Assets

Cash on hand or in bank — the amount of cash in the business at the end of the year.

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Operating Expense Ratios — Each item of expense, as well as "total operating expenses" when expressed as a percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

Net Operating Profit Ratio — the remaining proportion of the average sales' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowances for both proprietors' salaries and income tax should be deducted, in order to determine the percentage to sales of net returns on capital investment.

Balance Sheet Ratios

Current Ratio — $\text{Current Assets} \div \text{Current Liabilities}$ — indicates to what extent the business is able to meet its current obligations out of "current assets". Care should be taken to examine the components of current assets because overstocking of inventories and overinvestment in credit sales (accounts receivable) can result in a stronger or more favourable ratio.

Liquidity Ratio — $\text{Current Assets Less Merchandise Inventory} \div \text{Current Liabilities}$ — sometimes referred to as the "acid test", is similar to the "current ratio" as a test of current credit strength. A ratio of 100% (or 1) is usually considered favourable.

Working Capital to Net Worth Ratio — denotes the relationship between "working capital" (current assets less current liabilities) and a proprietor's equity in the business. That is, the proportion of "net worth" that could be realized readily if liquidation were necessary.

Worth-Debt Ratio — $\text{Net Worth} \div \text{Total Liabilities}$ — if used in conjunction with the "current ratio", would reflect any weakening of the capital structure of a business through large loans which give a high "current ratio".

Interstatement Ratio

Turnover of Total Capital Employed — $\text{Net Sales} \div \text{Total Assets used in the business}$ — provides an indication of the degree of management efficiency. However, this ratio should not be used alone because "profits" and not "sales" are the major criterion of efficiency.

OPERATING RESULTS AND FINANCIAL STRUCTURE INDEPENDENT GENERAL STORES

1956

INTRODUCTION

This report on operating results and financial structure presents information in the form of averages and ratios as a guide to retail store operators for the trades covered. These ratios are the "average" of a broad range of operational efficiency, and as such do not represent top performance guides. However, used with this in mind, they show a standard by which business men can compare their own operating experiences. The pattern of expense and financial ratios, by size and kind of business, permit direct analysis of operating results for the year.

There is growing evidence that independent retail merchants are making more advantageous use of the results shown in the biennial operating results bulletins issued by the Dominion Bureau of Statistics. Many accounting firms whose clientele includes retail merchants have shown much interest in these series.

A number of trade papers and business periodicals have reproduced and interpreted the results of previous studies with the object of illustrating to retail merchants the manner in which operating results can be used as a tool in store management. This is a practice the Bureau is pleased to encourage, since it meets with one of the most important objects in maintaining this series, namely the promotion of improved merchandising on the part of retailers.

The new owner of a retail store or the prospective operator might well study these averages. Not all failures in business, however, come from the "new owner" group. It seems reasonable to suppose, however, that failure in many cases is the

result of inadequate knowledge on the part of new proprietors of the true fiscal requirements involved in operating a business and the proper allocation of costs. Where capital is limited, as is often the case in a newly-established store, it would seem that most careful attention should be given to maintenance of proper records and that provision be made to check against some such standard performance as these publications provide.

Analyses of both profit and loss and balance sheet statements are presented in this report.

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INDEPENDENT GENERAL STORES

This survey on independent general stores covers only retail establishments usually located in rural communities and engaged in selling dry goods or apparel and food, with sales of 33% to 67%

of total trade being groceries. In addition such establishments must show sales for at least one of the following subsidiary lines: hard goods, feed, fertilizer, gasoline and lubricants.

DEFINITIONS

Profit and Loss Statement Ratios

Stock Turnover — the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

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OPERATING RESULTS AND FINANCIAL STRUCTURE INDEPENDENT GENERAL STORES

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Only unincorporated stores were tabulated and the presentation of ratios and data was made for profit and loss and balance sheet items. A slightly smaller number of reports was used in each for the balance sheet tabulations, due to the fact that stores in the lowest sales-sizes were not required to furnish the balance sheet information. Results are shown by sales-size categories and, where possible, a further breakdown was made in the balance sheet averages by number of years in business.

In compiling trade ratios for the "total, all sizes", the different sales-size ratios were combined by giving each size category its proper "weight" as obtained from the 1951 census. In

this survey the reporting firms would show a ratio biased toward the characteristics of large store operation. The use of weighting gives proper importance to small store operations so that the ratios shown in the summary table below more truly represent the trade total.

General stores in 1956 had a higher ratio of gross profit than in 1954. This marginal increase coupled with a decrease in the ratio of total operating expense had a very favourable influence on the net operating profit, resulting in almost half of one per cent increase over 1954. The actual ratios were 5.68 per cent for 1954 and 6.16 per cent for 1956.

COMPOSITION OF AVERAGE GROSS PROFIT COUNTRY GENERAL STORES

1945-46-48-50-52-54 AND 56

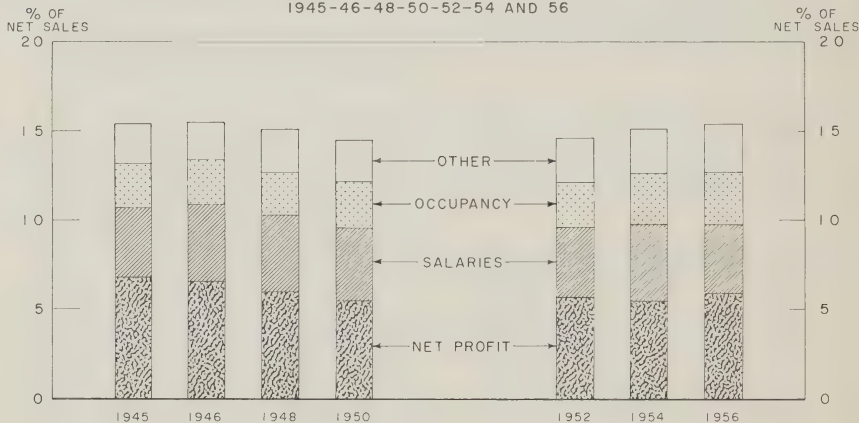


TABLE 1. Operating Results of Independent General Stores 1954 and 1956 Compared

Item	1954	1956
	(per cent of net sales)	
Gross profit	14.92	15.16
Operating expenses:		
Employees' salaries	3.74	3.28
Occupancy	2.96	3.07
Office and store supplies	0.39	0.41
Advertising	0.26	0.30
All other expenses	1.89	1.94
Total operating expenses	9.24	9.00
Net operating profit before deduction of proprietors' salaries and income tax	5.68	6.16

Note: These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent stores. They do not agree with ratios shown in historical tables.

TABLE 2. Independent General Stores - Balance Sheet Ratios as at December 31

Item ¹	Owned	Rented
Current ratio		
1948	4.11	4.14
1950	4.56	3.62
1952	4.45	4.04
1954	4.57	5.69
1956	5.00	6.07
Liquidity ratio		
1952	1.65	1.66
1954	1.85	2.06
1956	2.03	2.44
Working capital to net worth ratio		
1948	0.70	0.91
1950	0.73	0.94
1952	0.73	0.89
1954	0.72	0.84
1956	0.74	0.93
Worth debt ratio		
1948	3.57	3.22
1950	3.57	2.08
1952	3.36	2.72
1954	3.25	4.20
1956	3.11	2.80
Turnover of total capital employed		
1952	2.38	2.70
1954	2.06	2.81
1956	2.00	2.74

1. Ratio definitions are shown on page 6.

TABLE 3. Independent Country General Stores—Operating Results by Annual Sales Volume and Occupancy Basis 1956

Item	Owned stores with annual net sales of					Rented stores with annual net sales of				
	Under \$10,000	\$10,000-\$19,999	\$20,000-\$49,999	\$50,000-\$99,999	\$100,000 and over	\$10,000-\$19,999	\$20,000-\$49,999	\$50,000-\$99,999	\$100,000 and over	
Number of stores reporting	12	67	126	89	55	3	21	13	10	
Average net sales per store	\$ 7,214	15,153	33,399	69,791	174,934	14,086	36,722	69,404	181,073	
Average beginning inventory	2,066	4,774	7,868	14,735	32,093	5,207	8,326	14,026	26,359	
Average inventory, end of year	2,163	4,593	8,056	15,330	35,446	5,063	8,420	14,970	29,285	
Average cost of goods sold	5,909	12,771	28,550	59,560	147,426	11,764	30,375	56,512	151,113	
Stock turnover (times per year)	2.82	2.73	3.99	3.96	4.33	2.29	3.58	3.94	5.43	
Profit and Loss data (Per cent of net sales)										
Gross profit	16.84	15.72	14.52	14.66	15.72	16.35	15.92	15.89	16.55	
Operating expenses:										
Executives' and employees' salaries and wages etc. (except delivery)	—	0.80	1.77	3.00	5.45	0.80	2.93	3.43	5.80	
Delivery	0.38	0.66	0.34	0.63	0.72	0.50	0.58	0.63	0.73	
Occupancy expenses:										
Taxes	0.85	0.62	0.49	0.44	0.33	0.57	0.18	0.18	0.13	
Insurance	0.39	0.61	0.49	0.46	0.36	0.44	0.34	0.32	0.35	
Rent	—	—	—	—	—	—	1.80	1.17	0.72	
Heat, light and power	1.54	1.53	0.96	0.73	0.49	1.19	0.33	0.58	0.59	
Repairs and maintenance	0.47	0.59	0.47	0.41	0.33	0.22	0.42	0.23	0.22	
Depreciation allowances	0.52	0.76	0.89	1.03	0.89	0.15	0.45	0.68	0.59	
Total occupancy expenses	3.77	4.31	3.30	3.07	2.40	5.69	4.02	3.16	2.68	
Office and store supplies	0.31	0.52	0.46	0.35	0.39	0.41	0.49	0.32	0.36	
Advertising	0.06	0.11	0.25	0.32	0.34	0.03	0.39	0.46	0.40	
Net loss on bad debts	0.50	0.31	0.15	0.16	0.41	0.37	0.43	0.29	0.17	
All other expenses	0.41	0.99	0.81	1.03	1.05	0.57	0.97	0.99	0.82	
Total operating expenses	5.93	7.72	7.58	8.61	10.76	8.37	9.81	9.33	10.96	
Net operating profit	10.91	8.00	6.94	6.05	4.96	7.98	5.11	6.36	5.59	
Non-trading income	1.80	1.49	0.80	0.63	0.46	0.49	0.44	0.09	0.25	
Non-trading expense	0.03	0.24	0.06	0.11	0.01	0.16	0.09	—	0.10	
Net profit before deduction of proprietors' salaries and income tax	12.68	9.25	7.66	6.57	5.41	8.31	6.46	6.45	5.74	

TABLE 4. Independent Country General Stores—Owned—Financial Structure by Size and Age of Business as at December 31, 1956

Item	Stores with annual net sales of									Total all sizes \$20,000 and over
	\$20,000-\$49,999			\$50,000-\$99,999			\$100,000 and over			
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
Assets	(Average per store)									
Current assets:										
Cash on hand and in bank	2,338	2,203	2,242	1,314	5,950	4,538	7,530	6,469	6,739	3,977
Accounts and notes receivable (net)	1,705	2,029	1,936	4,332	5,522	5,116	12,047	12,115	12,097	5,188
Merchandise inventory	7,550	8,645	8,331	14,424	15,395	15,064	29,092	37,656	35,477	16,430
Other current assets	1,180	1,433	1,360	324	4,287	2,935	1,135	2,761	2,347	2,098
Total current assets	12,773	14,310	13,869	20,894	31,154	27,653	49,804	59,001	56,660	27,593
Fixed assets (net):										
Used in the business	5,638	5,664	5,656	10,539	7,954	8,836	10,936	13,120	14,601	8,645
Not used in the business	1,340	1,364	1,358	1,471	1,216	1,303	—	2,496	1,860	1,448
Total fixed assets (net)	6,978	7,028	7,014	12,010	9,170	10,139	18,936	15,616	16,461	10,093
Other assets:										
Long term investments	226	1,865	1,395	492	2,472	1,796	1,453	546	777	1,395
Other assets	—	136	97	124	350	274	1,075	452	610	267
Total other assets	226	2,001	1,492	616	2,822	2,070	2,528	998	1,387	1,662
Total assets	19,977	23,339	22,375	33,520	43,146	39,862	71,268	75,615	74,508	39,448
Liabilities										
Current liabilities:										
Accounts and notes payable	1,791	2,346	2,188	5,223	4,534	4,769	12,643	14,112	13,738	5,540
Fixed liabilities:										
Mortgages on fixed assets used in business	520	371	414	2,563	689	1,320	6,556	854	2,814	1,236
Mortgages on fixed assets not used in business	30	155	119	138	63	89	—	207	155	117
Total fixed liabilities	550	526	533	2,701	752	1,417	8,556	1,061	2,969	1,353
Other liabilities	470	802	707	2,541	1,682	1,975	11,942	6,661	8,005	2,704
Total liabilities	2,811	3,976	3,428	10,465	6,968	8,161	33,141	21,834	24,712	9,597
Networth: Proprietor's or partners' equity in the business	17,166	19,663	18,947	23,055	36,178	31,701	38,127	53,781	49,796	29,851
Total liabilities and net worth	19,977	23,339	22,375	33,520	43,146	39,862	71,268	75,615	74,508	39,448
Average net sales of stores reporting	34,233	33,476	33,693	68,758	69,666	69,356	161,897	179,386	174,934	76,045
Number of stores reporting	33	82	115	29	56	85	14	41	55	255

TABLE 5. Independent Country General Stores—Rented—Financial Structure by Size and Age of Business as at December 31, 1956

Item	Stores with annual net sales of						Total all sizes \$20,000 and over	
	\$20,000-\$49,999			\$50,000-\$99,999				\$100,000 and over
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total		
(Average per store)								
Assets								
Current assets:								
Cash on hand and in bank	3,685	1,872	2,879	1,948	2,902	2,424	5,569	3,510
Accounts and notes receivable (net).....	1,699	5,251	3,278	4,761	5,206	4,983	13,945	7,017
Merchandise inventory	10,765	6,599	8,913	14,764	15,175	14,970	30,760	17,476
Other current assets	807	2,659	1,631	680	233	457	1,543	1,190
Total current assets	16,956	16,381	16,701	22,153	23,516	22,834	51,817	29,193
Fixed assets (net):								
Used in the business	1,929	1,164	1,589	3,895	1,698	2,797	6,651	3,504
Not used in the business	100	1,000	500	3,322	2,456	2,889	2,136	1,825
Total fixed assets (net).....	2,029	2,164	2,089	7,217	4,154	5,686	8,787	5,329
Other assets:								
Long term investments	70	373	204	—	1,503	751	2,294	1,012
Other assets	—	211	94	222	161	192	100	130
Total other assets	70	584	298	222	1,664	943	2,394	1,142
Total assets	19,055	19,129	19,088	29,592	29,334	29,463	62,998	35,664
Liabilities								
Current liabilities:								
Accounts and notes payable	2,205	2,718	2,433	3,700	4,499	4,100	8,514	4,810
Fixed liabilities:								
Mortgages on fixed assets used in business	5	207	95	858	—	429	1,184	533
Mortgages on fixed assets not used in business	—	—	—	2,514	2,200	2,357	—	832
Total fixed liabilities	5	207	95	3,372	2,200	2,786	1,184	1,365
Other liabilities	2,704	911	1,907	3,632	649	2,140	6,018	3,198
Total liabilities	4,914	3,836	4,435	10,704	7,348	9,026	15,716	9,373
Net worth:								
Proprietors's or partners' equity in the business	14,141	15,293	14,653	18,888	21,986	20,437	47,282	26,291
Total liabilities and net worth	19,055	19,129	19,088	29,592	29,334	29,463	62,998	35,664
Average net sales of stores reporting	42,116	34,487	38,725	67,077	71,731	69,404	185,845	92,824
Number of stores reporting	10	8	18	9	9	18	15	51



OPERATING RESULTS AND FINANCIAL STRUCTURE
INDEPENDENT GENERAL STORES
1958

Published by Authority of

The Honourable Gordon Churchill, Minister of Trade and Commerce

DOMINION BUREAU OF STATISTICS

Industry and Merchandising Division

February, 1960
6542-526

Price 50 cents

PUBLICATIONS RELATING TO RETAIL TRADE

Catalogue number	Title	Price
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(b) Monthly		
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63-002	Department Store Sales and Stocks	per year 1.00
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63-409	Operating Results and Financial Structure of Independent Food Stores50
63-410	Operating Results and Financial Structure of Independent Fuel Dealers50
63-411	Operating Results and Financial Structure of Independent General Stores50
63-412	Operating Results and Financial Structure of Independent Retail Hardware, Furniture, Appliance, Radio and Television Stores50
63-413	Operating Results and Financial Structure of Independent Jewellery Stores50
63-414	Operating Results and Financial Structure of Independent Restaurants50
63-415	Operating Results and Financial Structure of Independent Tobacco Stores50

Other occasional reports and 1951 Census reports on retail trade are shown in a complete list of publications of the Dominion Bureau of Statistics which is available on request from the Information Services Division, D.B.S., or from the Queen's Printer, Ottawa.

OPERATING RESULTS AND FINANCIAL STRUCTURE

INDEPENDENT GENERAL STORES

1958

This report is a continuation of the practice of the Dominion Bureau of Statistics to publish operating results and financial structure for selected trades primarily as a guide for retailers. The averages and ratios that are shown in this report can be used as a standard by which businessmen can compare their own operating experience. The pattern of expense and financial ratios by size and age of business permits direct analysis of operating results for the year. It should be borne in mind, however, that the averages and ratios as published in this report do not represent top performance guides. They are the "average" of a broad range of operational efficiencies.

This survey of independent general stores covers only retail establishments usually located in rural communities and engaged in selling dry goods or apparel with groceries amounting to one-third to two-thirds of total sales. In addition, such establishments must show sales for at least one of the following subsidiary lines: hard goods (hardware, farm implements, building materials, housewares, household appliances, furniture, etc.) feed, fertilizer, gasoline and lubricants.

Although this report is similar to the previous operating results reports issued for this trade, some slight changes have been made in the presentation and quantity of information in order to increase its value to the user. In Table 1, the historical series of major operating ratios has been increased from a two year period to a six year period on a biennial basis. It is hoped that this change will enable the

users to more readily compare the trends in operating with their own experiences during the years. It should be mentioned that the data in Table 1, as well as the "total" column in Table 3 have been weighted in order to arrive at ratios which are representative of the trade as a whole. Weights are assigned to the ratios in each sales-size category in relation to its position in the sales picture as found in 1951. For example, in 1951 owned stores with sales between \$20,000-\$49,999 did 30.3 per cent of the total volume of business in the "owned" class whereas rented stores with the same sales volume did 24.7 per cent of the total sales in the "rented" class. These "weights" are applied to the current year ratios to arrive at a total ratio for owned and for rented stores which in turn are similarly weighted to obtain a total for the trade. The remaining averages and ratios published in this report have not been weighted and therefore represent the averages and ratios obtained from a reporting panel of firms in each cell.

As shown in table 1, the gross profit in 1958 for general stores declined by .35 per cent of net sales to 14.81 per cent from the high of 15.16 per cent registered in 1956. A slight increase in operating expenses due to increases in occupancy expenses and "all other" expenses produced a net operating profit of 5.78 per cent of sales which is a decline of .38 per cent from the high of 6.16 per cent in 1956.

Note: Profit and loss and balance sheet definitions are shown on pages 7 and 8.

TABLE 1. Operating Results of Independent General Stores, 1952-58

Item	1952	1954	1956	1958
	percent of net sales			
Gross profit	14.34	14.92	15.16	14.81
Operating expenses:				
Employees' salaries	3.47	3.74	3.28	3.15
Occupancy	2.61	2.96	3.07	3.15
Office and store supplies	0.37	0.39	0.41	0.35
Advertising	0.20	0.26	0.30	0.29
All other expenses	1.91	1.89	1.94	2.09
Total operating expenses	8.56	9.24	9.00	9.03
Net operating profit before deduction of proprietors' salaries and income tax and addition of net non-trading income	5.78	5.68	6.16	5.78

Note: These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent stores.

TABLE 2. Independent General Stores — Balance Sheet Ratios as at December 31

Item	1948	1950	1952	1954	1956	1958
Current ratio—Owned	4.11	4.56	4.45	4.57	5.00	4.70
Rented	4.14	3.62	4.04	5.69	6.07	6.97
Liquidity ratio—Owned .....	..	..	1.65	1.85	2.03	1.92
Rented .....	..	..	1.66	2.06	2.44	3.21
Working capital to net worth ratio—Owned	0.70	0.73	0.73	0.72	0.74	0.69
Rented	0.91	0.94	0.89	0.84	0.93	0.91
Worth debt ratio—Owned	3.57	3.57	3.36	3.25	3.11	3.54
Rented	3.22	2.08	2.72	4.20	2.80	3.68
Turnover of total capital employed—Owned .....	..	..	2.38	2.06	2.00	2.29
Rented .....	..	..	2.70	2.81	2.74	2.77

.. Not available.

TABLE 3. Independent General Stores — Operating Results by Annual Sales Volume and Occupancy Basis, 1958

Item	Owned stores with annual net sales of					Rented stores with annual net sales of			All sizes ¹
	Under \$10,000	\$10,000-\$19,999	\$20,000-\$49,999	\$50,000-\$99,999	\$100,000 and over	\$20,000-\$49,999	\$50,000-\$99,999	\$100,000 and over	
Number of stores reporting	23	73	188	157	104	18	17	17	609
Average net sales per store	\$ 7,032	15,519	33,657	69,186	161,036	34,689	65,173	205,550	84,395
Average beginning inventory	\$ 2,477	4,509	7,612	13,559	28,031	9,083	12,998	25,808	15,464
Average inventory, end of year	\$ 2,466	4,452	7,631	13,820	28,912	9,533	13,633	27,337	15,874
Average cost of goods sold	\$ 5,872	13,017	28,968	59,119	136,036	29,386	56,676	172,855	71,654
Stock turnover (times per year)	2.38	2.91	3.80	4.32	4.78	3.16	4.26	6.51	4.57
Profit and Loss data (Percent of net sales)									
Gross profit	16.50	16.12	13.94	14.52	15.52	15.29	13.04	15.91	14.81
Operating expenses:									
Employees' salaries and wages (except delivery)	0.91	1.40	1.81	3.20	4.93	2.86	2.15	4.80	3.15
Delivery	0.51	0.85	0.79	0.81	0.64	0.72	0.68	0.73	0.74
Occupancy expenses:									
Taxes	1.04	0.96	0.80	0.42	0.38	0.19	0.31	0.17	0.48
Insurance	0.53	0.70	0.52	0.46	0.42	0.24	0.43	0.46	0.44
Rent	—	—	—	—	—	1.64	0.81	0.78	0.14
Heat, light and power	1.99	1.72	1.02	0.69	0.55	0.88	0.59	0.50	0.82
Repairs and maintenance	1.02	0.54	0.47	0.35	0.33	0.34	0.20	0.21	0.39
Depreciation allowances	0.44	0.82	0.85	1.04	0.88	0.28	0.48	0.76	0.86
Total occupancy expenses	5.02	4.74	3.46	2.96	2.56	3.82	2.63	2.65	3.15
Office and store supplies	0.71	0.52	0.35	0.31	0.37	0.28	0.28	0.20	0.35
Advertising	0.01	0.12	0.22	0.34	0.35	0.11	0.31	0.33	0.29
Net loss on bad debts	0.75	0.38	0.17	0.29	0.26	0.27	0.18	0.27	0.25
All other expenses	0.93	1.42	1.01	1.15	1.13	0.94	0.94	0.89	1.09
Total operating expenses	8.84	9.43	7.81	9.06	10.24	9.00	7.17	9.87	9.03
Net operating profit	7.66	6.69	6.13	5.46	5.28	6.29	5.87	6.04	5.78
Non-trading income	1.31	1.01	0.73	0.36	0.42	0.18	0.41	0.28	0.53
Non-trading expense	—	0.07	0.28	0.02	0.12	0.03	0.01	0.00	0.12
Net profit before deduction of proprietors' salaries and income tax	8.97	7.63	6.58	5.80	5.58	6.44	6.27	6.32	6.19

¹ These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent stores.

TABLE 4. Independent General Stores — Owned — Financial Structure by Size and Age of Business as at December 31, 1958

Item	Stores with annual net sales of								
	\$20,000-\$49,999			\$50,000-\$99,999			\$100,000 and over		
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total ¹	Under 10 years	10 years and over	Total
Assets									
average per store (dollars)									
Current assets:									
Cash on hand and in bank	1,463	2,749	2,461	1,980	3,725	3,330	4,898	6,881	6,443
Accounts and notes receivable (net)	1,452	1,925	1,819	3,422	5,337	4,904	10,585	9,310	9,592
Merchandise inventory	6,593	8,154	7,805	13,651	14,116	14,011	25,248	29,952	28,912
Other current assets	719	2,662	2,227	880	2,337	2,008	932	1,717	1,543
Total current assets	10,227	15,490	14,312	19,933	25,515	24,253	41,663	47,860	46,490
Fixed assets (net):									
Used in the business	7,427	5,787	6,154	9,103	6,697	7,241	15,082	12,534	13,098
Not used in the business	2,178	2,838	2,890	1,062	2,948	1,979	2,735	2,574	2,609
Total fixed assets (net)	9,605	8,625	8,844	10,165	8,945	9,220	17,817	15,108	15,707
Other assets:									
Long term investments	1,778	1,099	1,251	517	1,293	1,118	814	1,065	1,009
Other assets	44	337	272	124	297	258	4	506	395
Total other assets	1,822	1,436	1,523	641	1,590	1,376	818	1,571	1,404
Total assets	21,654	25,551	24,679	30,739	36,050	34,849	60,298	64,539	63,601
Liabilities									
Current liabilities:									
Accounts and notes payable	1,993	2,306	2,236	4,043	4,611	4,482	9,150	12,872	12,048
Fixed liabilities:									
Mortgages on fixed assets used in business	1,828	300	642	1,850	623	900	3,499	1,777	2,158
Mortgages on fixed assets not used in business	482	86	175	284	147	178	—	107	83
Total fixed liabilities	2,310	386	817	2,134	770	1,078	3,499	1,884	2,241
Other liabilities	1,284	391	590	2,188	1,250	1,462	5,984	2,522	3,288
Total liabilities	5,587	3,083	3,643	8,365	6,631	7,022	18,633	17,278	17,577
Net worth: Proprietors or partners' equity in the business	16,067	22,468	21,036	22,374	29,419	27,827	41,665	47,261	46,024
Total liabilities and net worth	21,654	25,551	24,679	30,739	36,050	34,849	60,298	64,539	63,601
Average net sales of stores reporting	33,055	34,424	34,118	69,219	70,024	69,842	155,491	162,610	161,036

**TABLE 5. Independent General Stores — Rented — Financial Structure by Size and Age of Business
as at December 31, 1938**

Item	Stores with annual net sales of				
	\$20,000-\$49,999			\$50,000-\$99,999	\$100,000 and over
	Under 10 years	10 years and over	Total		
	average per store (dollars)				
Assets					
Current assets:					
Cash on hand and in bank	2,337	1,430	1,827	2,232	7,746
Accounts and notes receivable (net)	1,935	4,456	3,353	3,007	13,150
Merchandise inventory	13,023	7,607	9,977	14,225	28,510
Other current assets	1,752	1,322	1,510	1,382	10,341
Total current assets	19,047	14,815	16,667	20,846	59,747
Fixed assets (net):					
Used in the business	1,018	3,265	2,282	3,853	9,536
Not used in the business	1,131	1,000	1,057	1,850	200
Total fixed assets (net)	2,149	4,265	3,339	5,703	9,736
Other assets:					
Long term investments	—	420	236	113	24
Other assets	—	167	94	—	19
Total other assets	—	587	330	113	43
Total assets	21,196	19,667	20,336	26,662	69,526
Liabilities					
Current liabilities:					
Accounts and notes payable	1,384	2,286	1,891	2,435	9,587
Fixed liabilities:					
Mortgages on fixed assets used in business	—	122	69	1,267	667
Mortgages on fixed assets not used in business	237	—	103	245	—
Total fixed assets	237	122	172	1,512	667
Other liabilities	800	111	413	727	7,450
Total liabilities	2,421	2,519	2,476	4,674	17,704
Net worth: Proprietor's or partners' equity in the business	18,775	17,148	17,860	21,988	51,822
Total liabilities and net worth	21,196	19,667	20,336	26,662	69,526
Average net sales of stores reporting	33,727	37,851	36,047	65,928	210,831

DEFINITIONS

PROFIT AND LOSS

Items

Net sales — the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

Purchases — are taken at invoice value less returns and allowances, cash and trade discounts. Added to the cost of merchandise are the following expenses; duty, inward freight, express and trucking, alterations, etc.

Cost of goods sold — determined by adding the beginning inventory to net purchases and deducting the ending inventory.

Gross profit — the difference between "cost of goods sold" and "net sales".

Operating expenses — all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

Salaries and wages (except delivery) — payments to employees before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" in unincorporated store operations.

Delivery — includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.)

Taxes — business, property and water taxes. Taxes collected for remittance to governmental bodies and income tax are not included.

Insurance — annual proportion of premiums for insurance policies carried to protect the business.

Rent — payments for use of business premises.

Heat, light and power — cost applicable to year's operations.

Repairs and maintenance — costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).

Store supplies — wrapping paper, office supplies, etc.

Advertising — displays, window dressing and sales promotion.

Net bad debt loss — estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.

Other expenses — telephone, telegraph, postage, bank charges, legal, auditing and collection fees, etc.

Net operating profit — is the difference between "total operating expenses" and "gross profit" and includes proprietors' salaries and withdrawals before income tax deductions.

Occupancy — the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.

Non-trading income — interest earned, revenues from rentals, other activities, carrying charges and investments.

Non-trading expense — interest expense, rental expense, any other expenses not pertaining to the business.

Ratios

Stock turnover — the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.

Gross profit ratio — sometimes referred to as the "gross margin ratio" or "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales' dollar from which the merchant meets his operating expenses and obtains his net operating profit.

Operating expense ratios — each item of expense, as well as "total operating expenses" when expressed as a percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

Net operating profit ratio — the remaining proportion of the average sales' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowances for both proprietors' salaries and income tax should be deducted, in order to determine the percentage to sales of net returns on capital investment.

BALANCE SHEET

Asset Items

Cash on hand or in bank — the amount of cash in the business at the end of the year.

Net accounts receivable — all customers' notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

Merchandise inventory — the cost value of merchandise on hand for resale but does not include store supplies on hand.

Other current assets — includes assets which may be converted into cash, if necessary within a reasonably short time, such as Dominion of Canada Bonds and prepaid insurance.

Fixed assets (net) — the cost value of land, buildings, furniture, fixtures and equipment less any reserves for depreciation. Separate figures are shown for assets used in the business and those not used in the business.

Other assets — investments of a permanent nature not readily converted into cash and intangibles such as goodwill and organization costs.

Liabilities and Net Worth Items

Current liabilities — obligations which must be paid in the near future (usually one year) and represent accounts payable or any item that may be considered as a direct lien against current assets.

Fixed liabilities — mortgages secured by fixed assets and separated, as are fixed assets, between those used and not used in business.

Other liabilities — long term notes payable, accrued expenses such as taxes due but not yet paid, and prepaid or deferred income.

Net worth — Unincorporated business — the amount invested in the business together with any accumulated profits after proprietor's or partners' withdrawals.

— Incorporated business — net worth is shown in two parts:

- (1) Capital stock, which represents the shareholders' investment of fully paid-up subscribed shares, and
- (2) Surplus, which represents distributable surplus, capital surplus and earned surplus.

Ratios

Current ratio — $\text{Current Assets} \div \text{Current Liabilities}$ — indicates to what extent the business is able to meet its current obligations out of "current assets". Care should be taken to

examine the components of current assets because overstocking of inventories and overinvestment in credit sales (accounts receivable) can result in a stronger or more favourable ratio.

Liquidity ratio — $\text{Current Assets less Merchandise Inventory} \div \text{Current Liabilities}$ — sometimes referred to as the "acid test", is similar to the "current ratio" as a test of current credit strength. A ratio of 100% (or 1) is usually considered favourable.

Working capital to net worth ratio — denotes the relationship between "working capital" (current assets less current liabilities) and a proprietor's equity in the business. That is, the proportion of "net worth" that could be realized readily if liquidation were necessary.

Worth-debt ratio — $\text{Net Worth} \div \text{Total Liabilities}$ — if used in conjunction with the "current ratio", would reflect any weakening of the capital structure of a business through large loans which give a high "current ratio".

Understatement Ratio

Turnover of total capital employed — $\text{Net Sales} \div \text{Total Assets used in the business}$ — provides an indication of the degree of management efficiency. However, this ratio should not be used alone because "profits" and not "sales" are the major criterion of efficiency.

CATALOGUE No.

63-411

BIENNIAL

Canada. Statistics, Bureau of

111



OPERATING RESULTS AND FINANCIAL STRUCTURE
INDEPENDENT GENERAL STORES
1960



Published by Authority of
The Honourable George Hees, Minister of Trade and Commerce

DOMINION BUREAU OF STATISTICS
Industry and Merchandising Division

December, 1961
6542-526

Price 50 cents

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OPERATING RESULTS AND FINANCIAL STRUCTURE INDEPENDENT GENERAL STORES

1960

This report is a continuation of the practice of the Dominion Bureau of Statistics to publish operating results and financial structure for selected trades primarily as a guide for retailers. The averages and ratios that are shown in this report can be used as a standard by which businessmen can compare their own operating experience. The pattern of expense and financial ratios by size and age of business permits direct analysis of operating results for the year. It should be borne in mind, however, that the averages and ratios as published in this report do not represent top performance guides. They are the "average" of a broad range of operational efficiencies.

This survey of independent general stores covers only retail establishments usually located in rural communities and engaged in selling dry goods or apparel, with groceries amounting to one-third to two-thirds of total sales. In addition, such establishments must show sales for at least one of the following subsidiary lines: hard goods (hardware, farm implements, building materials, housewares, household appliances, furniture, etc.) feed, fertilizer, gasoline and lubricants.

This report is similar in content to previous operating results reports issued for this trade. It is important to note that the data shown in this bulletin have been obtained from a co-operative panel of firms which are classified as general stores. An attempt is made in some tables to adjust these data in order to arrive at averages and ratios which are represent-

ative of the trade as a whole. These weighted figures are shown in Table 1 as well as the "all sizes" column in Table 3. Weights are assigned to the ratios in each sales-size category in relation to its position in the sales picture as found in 1951. For example, in 1951, owned stores with sales between \$20,000-49,999 did 30.3 per cent of the total volume of business in the "owned" class whereas rented stores with the same sales volume did 24.7 per cent of the total sales in the "rented" class. These "weights" are applied to the current year ratios to arrive at a total ratio for owned and for rented stores which in turn are similarly weighted to obtain a total for the trade. As mentioned above, the remaining averages and ratios published in this report have not been weighted and therefore represent the averages and ratios obtained from a reporting panel of firms in each cell.

The adjusted figures indicate that general stores during 1960 had a higher ratio of gross profit to sales than in 1958, increasing by .57 per cent of net sales. At the same time, however, total operating expenses increased by .34 per cent of net sales due primarily to an increase in occupancy expenses. The increase in total operating expenses off-set to some degree the increase in gross profit, the result being an increase of .23 per cent in the net operating profit from 1958.

Note: Profit and loss and balance sheet definitions are shown on pages 7 and 8.

TABLE 1. Operating Results of Independent General Stores, 1954-60

Item	1954	1956	1958	1960
	per cent of net sales			
Gross profit	14.92	15.16	14.81	15.38
Operating expenses:				
Employees' salaries	3.74	3.28	3.15	3.14
Occupancy	2.96	3.07	3.15	3.44
Office and store supplies	0.39	0.41	0.35	0.33
Advertising	0.26	0.30	0.29	0.32
All other expenses	1.89	1.94	2.09	2.14
Total operating expenses	9.24	9.00	9.03	9.37
Net operating profit before deduction of proprietors' salaries and income tax and addition of net non-trading income	5.68	6.16	5.78	6.01

Note: These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent stores.

TABLE 2. Independent General Stores — Balance Sheet Ratios as at December 31, 1950-60

Item	1950	1952	1954	1956	1958	1960
Current ratio—Owned	4.56	4.45	4.57	5.00	4.70	5.08
Rented	3.62	4.04	5.69	6.07	6.97	5.25
Liquidity ratio—Owned .....	..	1.65	1.85	2.03	1.92	2.05
Rented .....	..	1.66	2.06	2.44	3.21	1.99
Working capital to net worth ratio—Owned	0.73	0.73	0.72	0.74	0.69	0.69
Rented	0.94	0.89	0.84	0.93	0.91	0.85
Worth debt ratio—Owned	3.57	3.36	3.25	3.11	3.54	3.59
Rented	2.08	2.72	4.20	2.80	3.68	2.74
Turnover of total capital employed—Owned .....	..	2.38	2.06	2.00	2.29	2.10
Rented .....	..	2.70	2.81	2.74	2.77	3.20

.. Figures not available.

TABLE 3. Independent General Stores—Operating Results by Annual Sales Volume and Occupancy Basis, 1960

Item	Owned stores with annual net sales of					Rented stores with annual net sales of		All sizes ¹
	Under \$10,000	\$10,000-19,999	\$20,000-49,999	\$50,000-99,999	\$100,000 and over	\$20,000-49,999	\$50,000-99,999	
Number of stores reporting	19	53	98	92	54	12	18	358
Average net sales per store	\$ 6,435	14,721	33,387	70,512	152,657	32,718	69,996	80,312
Average beginning inventory	\$ 3,030	5,625	8,399	14,224	28,979	8,308	12,575	16,222
Average inventory, end of year	\$ 3,399	5,507	8,505	14,541	30,058	7,576	12,556	16,625
Average cost of goods sold	\$ 5,372	12,365	28,438	59,826	128,683	27,387	60,097	67,830
Stock turnover (times per year)	1.67	2.22	3.36	4.16	4.36	3.45	4.78	4.13
Profit and Loss data (Percent of net sales)								
Gross profit	16.53	16.00	14.82	15.16	15.70	16.29	14.14	15.38
Operating expenses:								
Employees' salaries and wages (except delivery)	0.23	2.46	1.68	3.19	4.56	2.70	2.15	3.14
Delivery	0.15	0.70	0.73	0.80	0.57	0.71	0.77	0.69
Occupancy expenses:								
Taxes	1.02	0.95	0.67	0.43	0.41	0.28	0.25	0.51
Insurance	0.89	0.72	0.57	0.52	0.49	0.51	0.30	0.53
Rent	—	—	—	—	—	1.66	1.03	0.17
Heat, light and power	1.70	1.88	1.09	0.74	0.60	1.00	0.60	0.90
Repairs and maintenance	0.61	0.57	0.56	0.36	0.30	0.21	0.30	0.40
Depreciation allowances	0.90	0.71	0.99	1.05	0.96	0.65	0.56	0.93
Total occupancy expenses	5.12	4.83	3.88	3.10	2.76	4.31	3.04	3.44
Office and store supplies	0.52	0.47	0.33	0.34	0.26	0.61	0.45	0.33
Advertising	0.11	0.10	0.23	0.33	0.46	0.25	0.43	0.32
Net loss on bad debts	0.54	0.16	0.20	0.17	0.40	0.24	0.15	0.25
All other expenses	1.87	1.20	1.16	1.23	1.16	1.45	1.31	1.20
Total operating expenses	8.24	9.92	8.21	9.16	10.17	10.27	8.30	9.37
Net operating profit	8.29	6.08	6.61	6.00	5.53	6.02	5.84	6.01
Non-trading income	1.29	1.73	1.14	0.86	0.56	0.27	0.83	0.87
Non-trading expense	—	0.42	0.39	0.26	0.04	0.02	0.27	0.23
Net profit before deduction of proprietors' salaries and income tax	9.58	7.39	7.36	6.60	6.05	6.27	6.40	6.65

¹ These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent stores.

TABLE 4. Independent General Stores—Owned—Financial Structure by Size and Age of Business as at December 31, 1960

Item	Stores with annual net sales of							Total all sizes \$20,000 and over
	\$20,000-49,999			\$50,000-99,999			\$100,000 and over	
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	Total	
Assets	average per store (dollars)							
Current assets:								
Cash on hand and in bank	1,472	2,478	2,287	3,495	4,191	4,066	5,218	3,681
Accounts and notes receivable (net)	1,441	2,501	2,299	2,791	3,886	3,689	10,900	4,890
Merchandise inventory	8,410	9,047	8,926	15,443	14,457	14,634	30,058	16,191
Other current assets	69	2,638	2,148	283	2,732	2,292	2,754	2,349
Total current assets	11,392	16,664	15,660	22,012	25,266	24,681	48,930	27,111
Fixed assets (net):								
Used in the business	6,484	5,724	5,869	10,791	8,443	8,865	14,822	9,173
Not used in the business	936	3,184	2,756	1,080	2,531	2,270	1,977	2,380
Total fixed assets (net)	7,420	8,908	8,625	11,871	10,974	11,135	16,799	11,553
Other assets:								
Long term investments	400	3,001	2,505	1,688	1,048	1,163	1,493	1,739
Other assets	—	77	62	406	186	226	473	224
Total other assets	400	3,078	2,567	2,094	1,234	1,389	1,966	1,963
Total assets	19,212	28,650	26,852	35,977	37,474	37,205	67,695	40,627
Liabilities								
Current liabilities:								
Accounts and notes payable	1,574	1,909	1,846	4,242	4,584	4,523	12,108	5,336
Fixed liabilities:								
Mortgages on fixed assets used in business	1,707	218	502	4,202	1,433	1,931	2,244	1,477
Mortgages on fixed assets not used in business	—	140	113	—	288	236	398	229
Total fixed liabilities	1,707	358	615	4,202	1,721	2,167	2,642	1,706
Other liabilities	795	635	665	1,862	1,454	1,527	4,071	1,813
Total liabilities	4,076	2,902	3,126	10,306	7,759	8,217	18,821	8,855
Net worth: Proprietor's or partners' equity in the business	15,136	25,748	23,726	25,671	29,715	28,988	48,874	31,772
Total liabilities and net worth	19,212	28,650	26,852	35,977	37,474	37,205	67,695	40,627
Average net sales of stores reporting	33,883	33,791	33,808	72,204	70,307	70,648	152,657	76,524
Number of stores reporting	16	68	84	16	73	89	54	227

**TABLE 5. Independent General Stores — Rented — Financial Structure by Size of Business
as at December 31, 1960**

Item	Stores with annual net sales of			Total all sizes \$20,000 and over
	\$20,000- 49,999	\$50,000- 99,999	\$100,000 and over	
	average per store (dollars)			
Assets				
Current assets:				
Cash on hand and in bank	3,068	2,885	6,262	3,847
Accounts and notes receivable (net)	1,723	2,509	7,584	3,668
Merchandise inventory	7,552	12,401	27,645	15,210
Other current assets	2,126	1,093	2,476	1,746
Total current assets	14,469	18,888	43,967	24,471
Fixed assets (net):				
Used in the business	3,829	2,389	5,294	3,563
Not used in the business	719	4,326	2,863	2,956
Total fixed assets (net)	4,548	6,715	8,157	6,519
Other assets:				
Long term investments	460	423	306	401
Other assets	185	407	231	300
Total other assets	645	830	537	701
Total assets	19,662	26,433	52,661	31,691
Liabilities				
Current liabilities:				
Accounts and notes payable	1,528	3,147	10,358	4,658
Fixed liabilities:				
Mortgages on fixed assets used in business	635	1,979	4,386	2,266
Mortgages on fixed assets not used in business	—	353	75	183
Total fixed assets	635	2,332	4,461	2,449
Other liabilities	494	650	3,477	1,372
Total liabilities	2,657	6,129	18,296	8,479
Net worth: Proprietor's or partners' equity in the business	17,005	20,304	34,365	23,212
Total liabilities and net worth	19,662	26,433	52,661	31,691
Average net sales of stores reporting	33,004	69,591	183,842	90,581
Number of stores reporting	10	17	10	37

DEFINITIONS

PROFIT AND LOSS

Items

Net sales—the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

Purchases—are taken at invoice value less returns and allowances, cash and trade discounts. Added to the cost of merchandise are the following expenses; duty, inward freight, express and trucking, alterations, etc.

Cost of goods sold—determined by adding the beginning inventory to net purchases and deducting the ending inventory.

Gross profit—the difference between "cost of goods sold" and "net sales".

Operating expenses—all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

Salaries and wages (except delivery)—payments to employees before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" in unincorporated store operations.

Delivery—includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.).

Taxes—business, property and water taxes. Taxes collected for remittance to governmental bodies and income tax are not included.

Insurance—annual proportion of premiums for insurance policies carried to protect the business.

Rent—payments for use of business premises.

Heat, light and power—cost applicable to year's operations.

Repairs and maintenance—costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).

Store supplies—wrapping paper, office supplies, etc.

Advertising—displays, window dressing and sales promotion.

Net bad debt loss—estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.

Other expenses—telephone, telegraph, postage, bank charges, legal, auditing and collection fees, etc.

Net operating profit—is the difference between "total operating expenses" and "gross profit" and includes proprietors' salaries and withdrawals before income tax deductions.

Occupancy—the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.

Non-trading income—interest earned, revenues from rentals, other activities, carrying charges and investments.

Non-trading expense—interest expense, rental expense, any other expenses not pertaining to the business.

Ratios

Stock turnover—the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.

Gross profit ratio—sometimes referred to as the "gross margin ratio" or "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales' dollar from which the merchant meets his operating expenses and obtains his net operating profit.

Operating expense ratios—each item of expense, as well as "total operating expenses" when expressed as a percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

Net operating profit ratio—the remaining proportion of the average sales' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowances for both proprietors' salaries and income tax should be deducted, in order to determine the percentage to sales of net returns on capital investment.

BALANCE SHEET

Asset Items

Cash on hand or in bank—the amount of cash in the business at the end of the year.

Net accounts receivable—all customers' notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

Merchandise inventory—the cost value of merchandise on hand for resale but does not include store supplies on hand.

Other current assets—includes assets which may be converted into cash, if necessary within a reasonably short time, such as Dominion of Canada Bonds and prepaid insurance.

Fixed assets (net)—the cost value of land, buildings, furniture, fixtures and equipment less any reserves for depreciation. Separate figures are shown for assets used in the business and those not used in the business.

Other assets—investments of a permanent nature not readily converted into cash and intangibles such as goodwill and organization costs.

Liabilities and Net Worth Items

Current liabilities—obligations which must be paid in the near future (usually one year) and represent accounts payable or any item that may be considered as a direct lien against current assets.

Fixed liabilities—mortgages secured by fixed assets and separated, as are fixed assets, between those used and not used in business.

Other liabilities—long term notes payable, accrued expenses such as taxes due but not yet paid, and prepaid or deferred income.

Net worth—Unincorporated business—the amount invested in the business together with any accumulated profits after proprietor's or partners' withdrawals.

—Incorporated business—net worth is shown in two parts:

- (1) Capital stock, which represents the shareholders' investment of fully paid-up subscribed shares, and
- (2) Surplus, which represents distributable surplus, capital surplus and earned surplus.

Ratios

Current ratio— $\text{Current Assets} \div \text{Current Liabilities}$ —indicates to what extent the business is able to meet its current obligations out of "current assets". Care should be taken to

examine the components of current assets because overstocking of inventories and overinvestment in credit sales (accounts receivable) can result in a stronger or more favourable ratios.

Liquidity ratio— $\text{Current Assets less Merchandise Inventory} \div \text{Current Liabilities}$ —sometimes referred to as the "acid test", is similar to the "current ratio" as a test of current credit strength. A ratio of 100% (or 1) is usually considered favourable.

Working capital to net worth ratio—denotes the relationship between "working capital" (current assets less current liabilities) and a proprietor's equity in the business. That is, the proportion of "net worth" that could be realized readily if liquidation were necessary.

Worth-debt ratio— $\text{Net Worth} \div \text{Total Liabilities}$ —if used in conjunction with the "current ratio", would reflect any weakening of the capital structure of a business through large loans which give a high "current ratio".

Interstatement Ratio

Turnover of total capital employed— $\text{Net Sales} \div \text{Total Assets}$ used in the business—provides an indication of the degree of management efficiency. However, this ratio should not be used alone because "profits" and not "sales" are the major criterion of efficiency.



VARIETY AND GENERAL MERCHANDISE STORES

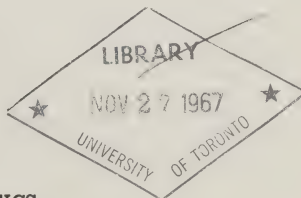
(Independent)

OPERATING RESULTS

1964

The last issue of this report, formerly known as Operating Results and Financial Structure - General Stores (Independent), was for 1960. Previously Biennial, it is now Triennial.

Published by Authority of
The Minister of Trade and Commerce



DOMINION BUREAU OF STATISTICS

Merchandising and Services Division

October 1967
6403-560

Price: 50 cents

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VARIETY AND GENERAL MERCHANDISE STORES

(Independent)

OPERATING RESULTS

1964

INTRODUCTION

This report is the first of its kind since 1960. During the 1961 Census of Merchandising and Service Establishments, data were collected on gross profit ratios for retail trades and these are published in Table 20, Volume VI, Part 1, of the Census of Canada, 1961; the small bulletin containing Table 20 bears Catalogue No. 97-505. These publications are obtainable from the Queen's Printer, Ottawa.

It is the intention to survey the trades reported on by the present bulletin every three years.

The figures in this report are published primarily as a guide for retailers. The averages and ratios that are shown can be used as a standard against which business men can compare their own operating experience. Data are provided for various types and sizes of operations. However, it is well to keep in mind that the averages and ratios published here do not represent the ideal situation to be aimed for. They are merely the observed results of a range of operational efficiencies. Where averages and ratios are given for a number of size categories or a number of types of operation, a weighting procedure has been applied to such data. These ratios are "weighted" according to the Census weights of the different sales sizes for independent stores. Data on financial structure are no longer collected.

For the next report, in addition to the type of data being made available now, it is intended to produce averages and ratios for stores engaged entirely, or almost entirely, in dealing in certain key commodities such as groceries, meat, confectionery, vegetables and so forth. The information on the cost of retailing specific commodities, as distinguished from the cost of retailing a combination of commodities generally handled by an identifiable trade, will then be available. This information is often required when the costs of marketing various commodities are under study.

Note: Definitions are given at the end of this report.

GENERAL MERCHANDISE STORES, INDEPENDENT

The stores in this classification are primarily engaged in selling piece goods and/or a combination of men's and women's apparel, home wares and house furnishings and other lines in limited amounts. Stores selling commodities covered in the definition for Department Stores, but not carrying either major household appliances or furniture are included in this classification. A general merchandise store may carry a line of grocery items but these should not exceed one third of total sales. This is the first time that general merchandise independent stores have been surveyed and operating results are shown in two tables which follow.

Forty usable reports were received from unincorporated businesses and incorporated companies. The gross profit for independent, unincorporated businesses was 23.72 per cent of net sales in 1964. For 1961, the Census of Merchandising calculated a figure of 30.0 per cent but this calculation included the data from incorporated companies and chain stores. Salaries and wages, in 1964, excluding the pay for delivery employees, were 7.47 per cent, delivery expense was 0.75 per cent, occupancy

expenses were 6.41 per cent, office and store supplies 0.41 per cent, all other expenses 4.17 per cent, making total operating expenses 19.21 per cent. Net operating profit before deduction of proprietors' salaries, withdrawals and income tax and addition of net non-trading income was 4.51 per cent of net sales. Taking account of non-trading income and expense, net profit was 6.57 per cent. In the detailed tables, there is a distinction made between stores with owned premises and stores with rented premises.

In the incorporated sector of the trade, gross profit was 28.76 per cent of net sales. Salaries and wages, in 1964, excluding the pay for delivery employees, were 14.91 per cent of net sales, delivery expenses were 0.60 per cent, occupancy expenses 4.85 per cent, office and store supplies 0.61 per cent, all other expenses 5.53 per cent, making total operating expenses 26.50 per cent. Net operating profit, before adding net non-trading income and before making allowance for income tax, was 2.26 per cent. Taking account of non-trading income and expense, net operating profit was 2.74 per cent of net sales in 1964.

TABLE 1. General Merchandise Stores, Independent, Operating Results of Unincorporated Businesses with owned and Rented Premises, 1964

Item	Owned premises with annual net sales of under \$200,000	Rented premises with annual net sales of \$30,000 - 199,000	Total owned and rented
Number of businesses reporting	12	5	17
Average net sales per business	84,740	79,737	83,778
Average beginning inventory	30,219	42,557	32,591
Average inventory, end of year	30,581	39,791	32,352
Average cost of goods sold	65,538	58,007	64,090
Stock turnover (times per year)	2.16	1.41	1.97
Profit and loss data (Per cent of net sales)			
Gross profit	23.26	25.66	23.72
Operating expenses:			
Employee's salaries and wages (except delivery)	6.76	10.45	7.47
Delivery expenses (including salaries and wages) .....	.88	.88	.75
Occupancy expenses:			
Taxes	1.15	.83	1.09
Insurance .....	.98	.73	.93
Rent	—	2.69	.52
Heat, light and power	1.41	.97	1.32
Repairs and maintenance .....	.75	.63	.73
Depreciation allowances	2.00	1.08	1.82
Total occupancy expenses	6.29	6.93	6.41
Office and store supplies .....	.34	.68	.41
Advertising .....	.63	2.23	.94
Net loss on bad debts .....	.49	.24	.44
All other expenses	2.85	2.53	2.79
Total operating expenses	18.24	23.26	19.21
Net operating profit	5.02	2.40	4.51
Non-trading income	2.58	.65	2.21
Non-trading expense .....	.19	—	.15
Net profit before deduction of proprietors' salaries, withdrawals and income tax	7.41	3.05	6.57

TABLE 2. General Merchandise Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy, (Unincorporated Businesses), 1964

Item	Owned premises with annual net sales of			Rented premises with annual net sales of			Total owned and rented
	\$50,000-199,999	\$200,000 and over	Total	\$100,000-499,999	\$500,000- and over	Total	
Number of businesses reporting	6	7	13	5	5	10	23
Average net sales per business	142,854	858,086	781,473	285,353	1,211,920	925,696	872,892
Average beginning inventory	64,483	205,830	190,689	105,029	233,782	194,009	192,793
Average inventory, end of year	64,973	222,748	205,848	102,993	233,546	193,217	197,842
Average cost of goods sold	109,184	576,943	526,838	212,917	867,456	665,264	614,582
Stock turnover (times per year)	1.69	2.69	2.66	2.05	3.71	3.44	3.15
Profit and loss data (Per cent of net sales)							
Gross profit	23.53	31.78	30.90	25.65	28.35	27.52	28.76
Operating expenses:							
Employees' salaries and wages (except delivery)	14.06	17.67	17.28	11.85	14.31	13.55	14.91
Delivery expenses (including salaries and wages) .....	.36	.17	.19	.39	1.03	.83	.60
Occupancy expenses:							
Taxes .....	.69	1.05	1.01	.29	.35	.33	.58
Insurance .....	.67	.42	.45	.51	.37	.42	.43
Rent	—	—	—	3.79	2.92	3.19	2.02
Heat, light and power .....	.70	.58	.59	.93	.38	.55	.56
Repairs and maintenance .....	.14	.76	.69	.52	.30	.37	.49
Depreciation allowances .....	.68	1.20	1.15	.29	.67	.55	.77
Total occupancy expenses	2.88	4.01	3.89	6.33	4.99	5.41	4.85
Office and store supplies .....	.34	.69	.65	.41	.67	.59	.61
Advertising .....	.98	1.95	1.85	.99	2.83	2.26	2.11
Net loss on bad debts .....	.40	.28	.29	.13	.37	.30	.30
All other expenses	2.82	3.14	3.11	2.95	3.20	3.12	3.12
Total operating expenses	21.84	27.91	27.26	23.05	27.40	26.06	26.50
Net operating profit	1.69	3.87	3.64	2.60	.95	1.46	2.26
Non-trading income .....	.56	.47	.48	.09	.98	.70	.62
Non-trading expense	—	.02	.02	—	.31	.21	.14
Net profit before allowances for income tax	2.25	4.32	4.10	2.69	1.62	1.95	2.74

GENERAL STORES, INDEPENDENT

The stores in this classification are usually located in rural communities and engaged in selling dry goods or apparel with groceries amounting to one third to two thirds of total sales. In addition such establishments must show sales for at least one of

the following subsidiary lines: hard goods (hardware, farm implements, building materials, housewares, household appliances, furniture, etc.), feed, fertilizer, gasoline and lubricants.

Four hundred usable reports were received from unincorporated businesses and incorporated companies. The gross profit for independent, unincorporated businesses was 16.02 per cent of net sales in 1964 compared with 15.38 per cent in 1960. For 1961, the Census of Merchandising produced a figure of 17.0 per cent but this calculation included the data from incorporated companies and chain stores. Salaries and wages, in 1964, excluding the pay for delivery employees, were 3.52 per cent of net sales compared with 3.14 per cent in 1960. Delivery expense was 0.95 per cent (0.69 per cent in 1960), occupancy expenses were 3.64 per cent (3.44 per cent), office and store supplies 0.32 per cent (0.33 per cent), all other expenses 1.93 per cent (1.77 per cent). Total operating expenses were 10.36 per cent (9.37 per cent) and net operating profit, before deduction of proprietors' salaries, withdrawals and income tax and addition of net non-trading income, was 5.66 per cent (6.01 per cent). Taking account of non-trading income and expense, net profit was 6.21 per cent of net sales compared with 6.65 per cent in 1960. In the detailed tables there is a distinction made between stores with owned premises and stores with rented premises.

For the first time data were collected from independent stores operated by incorporated companies. For all stores the gross profit was 19.29 per cent of net sales. Salaries and wages were 9.54 per cent, delivery expense was 0.79 per cent, occupancy expense was 3.37 per cent, office and store supplies 0.43 per cent, all other expenses 2.99 per cent, making total operating expenses 17.12 per cent of net sales. Net operating profit, before adding net non-trading income and before making allowance for income tax, was 2.17 per cent of net sales. Taking account of non-trading income and expense, net profit was 2.79 per cent. A distinction is made in this category also between stores with owned premises and stores with rented premises.

At the end of this section, data are given for co-operative associations operating general stores. Usable reports were received from 91 stores. Gross profit was 16.58 per cent of net sales. Total operating expenses were 14.08 per cent and net profit, after taking account of net non-trading income and expense, was 3.45 per cent of net sales in 1964.

TABLE 3. Operating Results of Independent General Stores, 1954 - 64

Item	Unincorporated businesses					Incorporated ¹
	1954	1956	1958	1960	1964	1964
	per cent of net sales					
Gross profit	14.92	15.16	14.81	15.38	16.02	19.29
Operating expenses:						
Employees salaries and wages (except delivery employees)	3.74	3.28	3.15	3.14	3.52	9.54
Occupancy expense	2.96	3.07	3.15	3.44	3.64	3.37
Office and store supplies	0.39	0.41	0.35	0.33	0.32	0.43
Advertising	0.26	0.30	0.29	0.32	0.31	0.50
All other expenses	1.89	1.94	2.09	2.14	2.57	3.28
Total operating expenses	9.24	9.00	9.03	9.37	10.36	17.12
Net operating profit before deduction of proprietors' salaries, withdrawals and income tax and addition of net non-trading income	5.68	6.16	5.78	6.01	5.66	2.17²

¹ Please refer to detailed table following for data on incorporated Consumer Cooperative Stores.

² Net operating profit before addition of net non-trading income and allowance for income tax.

Note: These ratios are "weighted" according to the Census weights of the different sales sizes for independent stores.

TABLE 4. General Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy
(Unincorporated Businesses), 1964

Item	Owned premises with annual net sales of						Total
	\$10,000 - 19,999	\$20,000 - 29,999	\$30,000 - 49,999	\$50,000 - 99,999	\$100,000 - 199,999	\$200,000 - 499,999	
Number of businesses reporting	24	36	55	114	64	16	314
Average net sales per business	14,896	24,085	41,248	71,175	138,723	267,182	99,590
Average beginning inventory	5,019	7,603	9,308	16,260	23,908	42,286	18,852
Average inventory, end of year	4,700	7,777	9,380	16,884	24,449	46,307	19,661
Average cost of goods sold	12,246	19,337	35,353	59,817	116,506	226,229	83,906
Stock turnover (times per year)	2.52	2.51	3.78	3.61	4.82	5.11	4.36
Profit and loss data (Per cent of net sales)							
Gross profit	17.79	19.71	14.29	15.96	16.02	15.33	15.97
Operating expenses:							
Employee's salaries and wages (except delivery)	1.02	2.21	1.94	2.29	4.31	5.88	3.43
Delivery expenses (including salaries and wages) .....	.74	1.17	.71	.90	1.14	.91	.95
Occupancy expenses:							
Taxes	1.10	.82	.77	.60	.47	.45	.62
Insurance .....	.90	.73	.64	.57	.48	.43	.57
Rent	—	—	—	—	—	—	—
Heat, light and power	2.20	1.54	1.14	.93	.76	.75	1.01
Repairs and maintenance .....	.71	.42	.59	.46	.41	.35	.47
Depreciation allowances .....	.60	.67	.89	.94	.95	1.39	.96
Total occupancy expenses	5.51	4.18	4.03	3.50	3.07	3.37	3.63
Office and store supplies .....	.53	.48	.27	.28	.31	.37	.32
Advertising .....	.16	.25	.27	.33	.27	.42	.30
Net loss on bad debts .....	.43	.69	.63	.31	.32	.17	.38
All other expenses	1.93	1.38	1.40	1.27	1.07	1.27	1.28
Total operating expenses	10.32	10.36	9.25	9.88	10.49	12.39	10.29
Net operating profit	7.47	9.35	5.04	6.08	5.53	2.94	5.68
Non-trading income	1.59	1.61	1.07	.64	.29	.68	.71
Non-trading expense .....	.42	.44	.16	.12	.01	.11	.13
Net profit before deduction of proprietors' salaries, withdrawals and income tax	8.64	10.52	5.95	6.60	5.81	3.51	6.26
Rented premises with annual net sales of							Total owned and rented
	\$30,000 - 49,999	\$50,000 - 99,999	\$100,000 - 199,999	\$200,000 - 499,999	Total		
Number of businesses reporting	3	7	7	4	23		337
Average net sales per business	48,526	77,539	166,372	267,589	133,919		102,206
Average beginning inventory	9,153	12,766	34,139	46,714	24,844		19,309
Average inventory, end of year	8,382	14,003	35,477	48,268	25,781		20,137
Average cost of goods sold	41,057	66,309	137,120	219,648	111,032		85,973
Stock turnover (times per year)	4.68	4.95	3.94	4.63	4.39		4.36
Profit and loss data (Per cent of net sales)							
Gross profit	15.39	14.48	17.58	17.92	16.58		16.02
Operating expenses:							
Employee's salaries and wages (except delivery)	5.01	4.04	4.40	5.90	4.55		3.52
Delivery expenses (including salaries and wages) .....	.90	1.67	.91	.30	.99		.95
Occupancy expenses:							
Taxes .....	.33	.16	.25	.20	.22		.59
Insurance .....	.49	.28	.37	.42	.37		.56
Rent	1.42	1.17	1.57	1.05	1.46		.11
Heat, light and power .....	.72	.63	.50	.59	.64		.98
Repairs and maintenance .....	.09	.30	.17	.52	.28		.46
Depreciation allowances .....	.07	.56	.89	.72	.63		.94
Total occupancy expenses	3.12	3.10	3.75	3.50	3.60		3.64
Office and store supplies .....	.24	.31	.38	.62	.37		.32
Advertising .....	.15	.25	.59	.92	.46		.31
Net loss on bad debts .....	.20	.09	.24	.01	.16		.36
All other expenses .....	.49	.76	1.14	1.70	1.05		1.26
Total operating expenses	10.11	10.22	11.41	12.95	11.18		10.36
Net operating profit	5.28	4.26	6.17	4.97	5.40		5.66
Non-trading income	—	.05	—	.86	.18		.67
Non-trading expense	—	—	—	—	—		.12
Net profit before deduction of proprietors' salaries, withdrawals and income tax	5.28	4.31	6.17	5.83	5.58		6.21

**TABLE 5. General Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy
(Unincorporated Businesses), 1964**

Item	Owned premises with annual net sales of						Rented premises with annual net sales of			Total owned and rented
	\$50,000-99,999	\$100,000-199,999	\$200,000-499,999	\$500,000-999,999	\$1,000,000 and over	Total	\$100,000-199,999	\$200,000-499,999	Total	
Number of businesses reporting	11	11	14	3	5	48	5	7	15	63
Average net sales per business	69,981	156,790	337,867	697,700	1,557,039	504,601	150,162	367,436	259,791	465,786
Average beginning inventory	20,917	37,874	67,503	123,726	332,001	102,684	28,945	69,426	50,372	94,390
Average inventory, end of year	20,167	38,989	70,728	123,137	371,638	109,252	29,192	72,882	52,489	100,205
Average cost of goods sold	56,387	128,545	270,951	550,532	1,251,366	404,009	120,630	302,884	213,295	373,771
Stock turnover (times per year)	2.74	3.34	3.92	4.46	3.56	3.81	4.15	4.26	4.16	3.84
Profit and loss data (Per cent of net sales)										
Gross profit	19.43	18.01	19.80	21.09	19.63	19.53	19.67	17.54	17.93	19.29
Operating expenses:										
Employees' salaries and wages (except delivery)	10.37	9.87	8.74	10.28	9.83	9.53	11.83	8.34	9.61	9.54
Delivery expenses (including salaries and wages) .....	.47	.27	.80	1.21	.99	.76	1.06	.98	.94	.79
Occupancy expenses:										
Taxes .....	.52	.53	.33	.24	.36	.38	.50	.29	.36	.37
Insurance .....	.92	.52	.63	.56	.48	.59	.49	.52	.52	.58
Rent	—	—	—	—	—	—	1.14	.69	1.02	.16
Heat, light and power	1.18	.67	.62	.68	.66	.69	.78	.57	.68	.69
Repairs and maintenance .....	.32	.23	.67	.33	.61	.47	.20	.28	.24	.43
Depreciation allowances .....	.82	.96	1.26	1.61	1.48	1.25	.41	.72	.54	1.14
Total occupancy expenses	4.16	2.91	3.51	3.42	3.59	3.38	3.52	3.07	3.36	3.37
Office and store supplies .....	.28	.32	.32	.56	.67	.41	.46	.59	.52	.43
Advertising .....	.16	.33	.27	1.29	.71	.52	.32	.44	.38	.50
Net loss on bad debts .....	.52	.15	.78	.30	.25	.47	.30	.36	.33	.45
All other expenses	1.41	1.95	2.16	2.46	2.47	2.14	1.89	1.36	1.54	2.04
Total operating expenses	16.97	15.80	16.58	19.52	18.51	17.21	19.38	15.14	16.68	17.12
Net operating profit	2.46	2.21	3.22	1.57	1.12	2.34	.29	2.40	1.25	2.17
Non-trading income	1.32	.62	.78	.99	1.24	.88	.62	.08	.29	.79
Non-trading expense .....	.16	.07	.16	.24	.53	.20	—	—	—	.17
Net profit before allowances for income tax	3.62	2.76	3.84	2.32	1.83	3.02	.91	2.48	1.54	2.79

**TABLE 6. General Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy
(Co-operative Associations), 1964**

Item	Owned premises with annual net sales of					Total
	\$50,000-99,999	\$100,000-199,999	\$200,000-499,999	\$500,000-999,999	\$1,000,000 and over	
Number of businesses reporting	7	22	20	21	18	91
Average net sales per business	72,895	150,127	307,521	666,295	1,414,789	430,623
Average beginning inventory	19,922	27,111	50,373	101,064	191,511	66,164
Average inventory, end of year	20,667	27,476	51,860	107,933	203,603	69,470
Average cost of goods sold	61,528	128,053	255,185	551,576	1,138,987	354,563
Stock turnover (times per year)	3.03	4.69	4.99	5.28	5.77	5.23
Profit and loss data (Per cent of net sales)						
Gross profit	15.59	14.70	17.02	17.22	19.49	16.58
Operating expenses:						
Employees' salaries and wages (except delivery)	8.50	7.17	7.53	8.31	9.76	7.91
Delivery expenses (including salaries and wages) .....	.17	.40	.44	.79	.72	.52
Occupancy expenses:						
Taxes .....	.41	.56	.49	.53	.67	.53
Insurance .....	.67	.51	.40	.34	.26	.42
Rent	—	—	—	—	—	—
Heat, light and power .....	.85	.74	.63	.60	.67	.67
Repairs and maintenance .....	.34	.28	.29	.31	.34	.30
Depreciation allowances .....	.62	1.00	1.19	1.35	1.43	1.14
Total occupancy expenses	2.89	3.09	3.00	3.13	3.37	3.06
Office and store supplies .....	.27	.37	.34	.44	.59	.39
Advertising .....	.40	.23	.30	.47	.57	.35
Net loss on bad debts	—	.18	.07	.12	.03	.10
All other expenses	1.76	1.56	1.80	1.68	2.32	1.75
Total operating expenses	13.99	13.00	13.48	14.94	17.36	14.08
Net operating profit	1.60	1.70	3.54	2.28	2.13	2.50
Non-trading income .....	.27	1.00	1.75	2.18	2.22	1.56
Non-trading expense	—	.12	1.06	.70	.54	.61
Net profit before allowances for income tax	1.87	2.58	4.23	3.76	3.81	3.45

VARIETY STORES, INDEPENDENT

Variety stores are sometimes known as "five-cent-to-a-dollar stores", or some such designation indicating the merchandise sold is in the low price ranges. Usually a wide variety of merchandise is carried but as a rule no furniture or major household appliances are sold which is a feature to distinguish variety stores from department stores. They are also distinguishable from general merchandise stores because the emphasis is on a cash-and-carry basis, low prices, and merchandise displayed openly and selected directly by the customers.

For the first time data were collected from independent variety stores operated by unincorporated businesses and incorporated companies. Over 60 usable reports were received. The gross profit for independent, unincorporated businesses was 27.87 per cent of net sales in 1964. The 1961 gross profit figure shown by the Census of Merchandising of that year was 34.5 per cent (see 1961 Census Bulletin 6.1-5) but this was for all variety stores, including chains and stores operated by incorporated companies. Salaries and wages, in 1964, excluding the pay for delivery employees, were 7.77 per cent of

net sales. Delivery expense was 0.33 per cent, occupancy expense 5.94 per cent, office and store supplies 0.63 per cent and all other expenses 2.98 per cent, making total operating expenses 17.65 per cent of net sales. Net operating profit, before deduction of proprietors' salaries, withdrawals, and income tax and addition of net non-trading income, was 10.22 per cent. Taking account of non-trading income and expense, net profit was 10.75 per cent of net sales in 1964.

In the incorporated sector of the trade, the gross profit was 30.37 per cent of net sales. Salaries and wages, excluding the pay for delivery employees, were 14.09 per cent, delivery expenses were 0.06 per cent, occupancy expenses 6.27 per cent, office and store supplies 0.60 per cent, all other expenses 4.11 per cent, making total operating expenses 25.13 per cent of net sales in 1964. Net operating profit, before adding net non-trading income and before making allowance for income tax, was 5.24 per cent. Taking account of non-trading income and expense, net profit was 5.30 per cent of net sales in 1964.

TABLE 7. Variety Stores, Independent. Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1964

Item	Owned premises with annual net sales of			Rented premises with annual net sales of				Total owned and rented
	\$10,000-49,999	\$50,000-199,999	Total	\$30,000-49,999	\$50,000-99,999	\$100,000-499,999	Total	
Number of businesses reporting	9	16	25	6	11	4	21	46
Average net sales per business	34,995	95,200	76,614	36,471	69,236	132,310	74,433	75,584
Average beginning inventory	10,060	17,506	15,207	11,144	20,949	28,336	19,937	17,441
Average inventory, end of year	10,684	20,253	17,299	11,627	19,989	24,488	18,724	17,972
Average cost of goods sold	25,272	70,026	56,210	26,685	48,334	96,250	53,161	54,770
Stock turnover (times per year)	2.44	3.71	3.46	2.34	2.36	3.64	2.75	3.09
Profit and loss data (Per cent of net sales)								
Gross profit	28.94	26.43	27.21	26.83	30.19	27.16	28.60	27.87
Operating expenses:								
Employees' salaries and wages (except delivery)	5.93	8.04	7.38	5.72	9.39	8.59	8.21	7.77
Delivery expenses (including salaries and wages) .....	.36	.37	.37	.67	—	.42	.28	.33
Occupancy expenses:								
Taxes	1.15	.76	.88	.48	.32	.35	.37	.64
Insurance .....	.87	.70	.75	.66	.37	.34	.44	.60
Rent	—	—	—	4.93	4.27	3.77	4.34	2.05
Heat, light and power	1.30	.80	.96	.72	.86	.66	.78	.88
Repairs and maintenance .....	.54	.77	.70	.32	.32	.35	.33	.53
Depreciation allowances	1.18	1.60	1.47	.63	.97	1.48	.99	1.24
Total occupancy expenses	5.04	4.63	4.76	7.74	7.11	6.95	7.25	5.94
Office and store supplies .....	.59	.65	.63	.35	.73	.69	.62	.63
Advertising .....	.52	.53	.53	.44	.46	.36	.43	.48
Net loss on bad debts .....	.07	—	.02	.04	—	—	.02	.02
All other expenses	1.85	2.84	2.54	1.80	2.75	2.45	2.42	2.48
Total operating expenses	14.36	17.06	16.23	16.72	20.48	19.46	19.23	17.65
Net operating profit	14.58	9.37	10.98	10.11	9.71	7.70	9.37	10.22
Non-trading income .....	.96	.30	.51	.50	.91	.31	.66	.58
Non-trading expense	—	.01	.01	—	.21	—	.11	.05
Net profit before deduction of proprietors' salaries, withdrawals and income tax	15.54	9.66	11.48	10.61	10.41	8.01	9.92	10.75

TABLE 8. Variety Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy
(Incorporated Companies), 1964

Item	Owned premises with annual net sales of		Rented premises with annual net sales of			Total owned and rented
	\$200,000 - 499,999	Total	\$100,000 - 199,999	\$200,000 - 499,999	Total	
Number of businesses reporting.....	3	4	6	7	15	19
Average net sales per business.....	323, 107	293, 854	144, 512	291, 111	177, 590	215, 260
Average beginning inventory	73, 434	69, 016	38, 112	58, 209	42, 920	51, 375
Average inventory, end of year.....	88, 651	82, 896	37, 405	64, 323	45, 165	57, 390
Average cost of goods sold	229, 193	208, 595	101, 654	195, 953	121, 548	149, 751
Stock turnover (times per year)	2.83	2.75	2.69	3.20	2.76	2.75
Profit and loss data (Per cent of net sales)						
Gross profit	29.07	28.89	29.66	32.69	31.08	30.37
Operating expenses:						
Employees' salaries and wages (except delivery)..	13.46	13.96	13.20	14.34	14.15	14.09
Delivery expenses (including salaries and wages)	.08	.07	.13	—	.05	.06
Occupancy expenses:						
Taxes.....	.80	.81	.67	.38	.46	.57
Insurance.....	.40	.48	.49	.40	.49	.49
Rent	—	—	3.99	3.49	3.99	2.70
Heat, light and power .....	.39	.44	.67	.53	.71	.62
Repairs and maintenance .....	.30	.34	.81	.52	.66	.56
Depreciation allowances.....	1.41	1.62	1.85	1.05	1.20	1.33
Total occupancy expenses	3.30	3.69	8.48	6.37	7.51	6.27
Office and store supplies .....	.58	.52	.50	.76	.64	.60
Advertising .....	.40	.37	.99	1.20	1.33	1.02
Net loss on bad debts	—	—	.02	—	.01	.01
All other expenses.....	4.20	4.10	2.40	2.49	2.60	3.08
Total operating expenses	22.02	22.71	22.72	25.16	26.29	25.13
Net operating profit	7.05	6.18	3.94	7.53	4.79	5.24
Non-trading income .....	.20	.18	.09	.14	.08	.11
Non-trading expense .....	.02	.02	.02	.18	.07	.05
Net profit before allowances for income tax	7.23	6.34	4.01	7.49	4.80	5.30

DEFINITIONS

PROFIT AND LOSS

Items

Net sales—the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

Purchases—are taken at invoice value less returns and allowances, cash and trade discounts. Added to the cost of merchandise are the following expenses: duty, inward freight, express and trucking, alterations, etc.

Cost of goods sold—determined by adding the beginning inventory to net purchases and deducting the ending inventory.

Gross profit—the difference between "cost of goods sold" and "net sales".

Operating expenses—all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

Salaries and wages (except for delivery employees)—payments to employees (wages, salaries, bonuses, payments for leave, payments in kind) before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" in unincorporated store operations.

Delivery—includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.)

Taxes—business, property and water taxes and licenses. Taxes collected for remittance to governmental bodies and income tax are not included.

Insurance—annual proportion of premiums for insurance policies carried to protect the business.

Rent—payments for use of business premises.

Heat, light and power—cost applicable to year's operations.

Repairs and maintenance—costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).

Depreciation—Write-offs for the year of fixed assets used in the business only, or rates authorized by the Income Tax Department.

Store supplies—wrapping paper, office supplies, etc.

Advertising—displays, window dressing and sales promotion.

Net bad debt loss—estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.

Other expenses—telephone, telegraph, postage, bank charges, legal, auditing and collection fees, etc.

Net operating profit—is the difference between "total operating expenses" and "gross profit" and in the case of unincorporated businesses includes proprietors' salaries and withdrawals before income tax deductions.

Occupancy—the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.

Non-trading income—interest earned, revenues from rentals, other activities, carrying charges and investments.

Non-trading expense—interest expense, rental expense, any other expense not pertaining to the business.

Ratios

Stock turnover—the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.

Gross profit ratio—sometimes referred to as the "gross margin ratio" or "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales' dollar from which the merchant meets his operating expenses and obtains his net operating profit.

Operating expense ratios—each item of expense, as well as "total operating expenses" when expressed as a percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

Net operating profit ratio—the remaining proportion of the average sales' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowances for both proprietors' salaries and income tax should be deducted, in order to determine the percentage to sales of net returns on capital investment.

DEC 2 1982

